



THE INDEPENDENT

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WEATHER: Fine with sunny spells

(IR45p) 40p

THE TABLOID

The cancer that went into space



THE TABLOID

Ten pages of music from Bach to the Monkees



COMMENT

Peregrine Worsthorne on the real threat to Britain PAGE 19

Slaughter on the Isle of Peace

Middle East tension rises over 'senseless' schoolgirl killings

Patrick Cockburn
Naharin, Jordan Valley

The Middle East was plunged yesterday into a new crisis of unforeseen proportions when a Jordanian soldier fired his assault rifle at a group of Israeli schoolgirls sightseeing in the Jordan valley, killing seven and wounding six.

The murders follow a period of unprecedented strain in relations between Jordan and Israel, and even if the killer proves to have been deranged, the massacre will further poison the political atmosphere. Nor are yesterday's killings likely to

He fired for about 30 seconds at the schoolchildren until he was overpowered by other Jordanian soldiers when he paused to put a fresh clip of ammunition in his rifle. The shooting took place in the so-called 'Isle of Peace', at Naharin, on the Jordan river, which is Jordanian territory but where Israelis are free to visit.

The girls, all aged between 12 and 14, came from an Orthodox Jewish school at Beit Shemesh, west of Jerusalem, and were on a three-day bus tour of northern Israel. "All the girls screamed and cried and ran away into the bushes to hide," said Hila Ivri, 14, later in hospital. "Many girls were hurt and bloody. I was hit in the leg. I saw the gunman. He was a bad guy with big eyes. I saw a girl who was hit in the shoulder. She rolled over in the bushes and stopped breathing."

King Hussein of Jordan, who was on an official visit to Spain, said he would immediately fly home, postponing his meeting with President Bill Clinton next week. He said the killings had affected him as if the bullets had been fired "at me and my sons and daughters". In Washington, Mr Clinton said it was a "senseless denial of a future for these children".

Relations between Israel and Jordan were already deteriorating. At the weekend, King Hussein wrote an angry letter to Benjamin Netanyahu, the Israeli Prime Minister, saying that as a result of his policies Arabs and Israelis were "fast sliding towards an abyss of bloodshed and disaster". Several Israeli ministers yesterday accused King Hussein of creating the atmosphere in which the attack at Naharin took place.

However, Israeli and Jordan officials manning the border posts at Naharin yesterday were keen to show that they were still co-operating.

General Uzi Dayan, the Israeli commander on the West Bank and in the Jordan valley,



Israeli schoolgirls mourn the death of seven of their friends, gunned down by a Jordanian soldier as they stepped from a bus in the Jordan Valley

Photograph: Yoab Lemmer/APP

be an end of the bloodshed; in relations between Israel and the Arabs, one atrocity is usually answered by another.

The killing of the children was cold-blooded and unprovoked. "He started shooting from a nearby hill and ran towards the children, still firing until he was only about a metre away," said an eyewitness. "He was aiming at the head. He wanted to kill."

The schoolgirls had crossed the Jordan river over an old Bailey bridge, passing through old minefields, and had just got out of their bus amid fields of yellow mustard when the gunman, a 26-year-old army driver, identified as Ahmed Mousa, opened fire.

crossed into Jordan to visit some of the wounded girls who had been taken to hospital in the nearby village of Shuma. "This is a warm frontier in the good sense," said one Israeli officer.

But there were more covert signs that relations were strained. A Jordan captain manning a checkpoint through

which the girls had passed admitted he and his men had been told to hand in their ammunition clips. One Israeli witness claimed Jordanian soldiers at first "stood around" and did nothing when the shooting began. Others said that at first the Jordanians would not allow Israeli aid teams to enter their territory. David Levy, the

Israeli Foreign Minister, said: "Who knows how many of these gun-toting lunatics are waiting for the green light in the form of a remark in which Israel is being described in the way it is being described today."

The shooting took place on a piece of land which had been heavily fortified prior to the Israeli-Jordanian peace treaty of

1994. At the crossing point into Jordan, there are still the remains of concrete pillboxes with machine-gun slits, a blown bridge and red notices with a skull and crossbones, warning of mines in Arabic, Hebrew and English. When the peace treaty was signed, Jordan gained sovereignty but Israelis could farm the land and visit as tourists.

The massacre prompted some to draw analogies with Baruch Goldstein, the Israeli army reserve captain who three years ago in Hebron fired into the backs of Palestinian worshippers in Hebron, killing 29. "This place is full of crazy people," said an Israeli army colonel, commanding a reserve unit on a hilltop at Naharin.

The killing will increase the sense of crisis in the region. It may relieve the international pressure on Mr Netanyahu not to build a Jewish settlement at Har Homa, in Jerusalem. Nothing is known of Ahmed Mousa, the gunman, other than he came from a nearby Jordanian town and had been posted to the border this year.

Navy sails in as Albania collapses

Two Royal Navy destroyers were steaming towards the Albanian coast last night as the Government prepared to rescue about 120 British nationals trapped in the anarchy-ridden country. The HMS *Exeter* and HMS *Exmouth* swung into action after officials postponed an attempt to evacuate the stranded Britons by air.

"It is extremely difficult to get anything in by air," a Foreign Office spokesman said. "There are people running around the airport with weapons. There is a great deal of indiscriminate firing and chaos."

With President Sali Berisha's soldiers and police having surrendered control of most towns to civilians armed with stolen guns, it appeared that the Albanian leader faced little choice last night but to flee his country.

probably with Western assistance, or face the wrath of his people. Diplomatic sources said that some of his family were evacuated on a ferry bound for Italy yesterday. Some 400 foreigners, including 330 Italians, were evacuated by helicopter from Durres on to Italian naval vessels in the Adriatic Sea. US forces were preparing to rescue about 2,000 Americans in Albania.

Across virtually the whole country, it has become a case of every man for himself and for every man a gun. "It was fine until two days ago, and then they started raiding the armories," said Gaenor Hall, a British missionary based in the northern town of Pishanec. "There's a lot of anarchy, a lot of people stealing flour from the army barracks," added her colleague, Tom Hudson.



EMMA DALY in Tirana

Most police appear to have pulled out of Tirana, and many conscripts have deserted their positions. In Elbasan, an industrial town in a valley near Tirana, a mob attacked two large military bases on the edge of town at about 8pm on Wednesday night, and the soldiers simply withdrew. The garrison's commander, still in uniform, was in tears yesterday morning as people streamed past him carrying

rifles, machine-guns, uniforms and gas masks. Boys as young as 8 and 9 brandished rifles and added to the terrifying sense of lawlessness.

As looters ransacked military supplies at will, a building smouldered in the distance. "I don't think people here want

any political party. We're against Berisha because he took our money," said Ilir Kamami, an Elbasan resident.

At the headquarters of a tank division, half a mile away, dormitory buildings were ablaze as gypsies hoisted tables, chairs and cupboards on to horse-drawn carts. Hundreds of other locals fared for guns, and all around, every minute, was the crackle of gunfire, meaningless but dangerous.

The new caretaker government, formed to appease rebels in southern Albania, does not appear to control anything. Tirana airport is out of government hands and, although neither the army nor police seem to want a fight, gangsters are making the most of this tumultuous period of mob rule.

The capital's streets were quiet yesterday afternoon, save

for the rattle of occasional gunfire. As night fell, groups of armed civilians began to move freely around the city and the gunfire became more frequent.

During the southern uprising of the past 10 days, gunmen have to some extent policed the anti-Berisha mutiny sparked last month by the collapse of corrupt investment schemes. The gunmen have formed blockades, checked documents and hounded out secret policemen.

But in towns such as Elbasan, where guns are now selling at \$5 (£3) a piece, public order has all but disintegrated. "This is the spirit of Albania, born of the eagle. They like this," one man said, pointing at a small boy with a gas-mask and a gun. Further reporting by Adrian Hadland

Andrew Gumbel, page 18

Follow the ball...



See inside for details

QUICKLY

Labour's 25-point lead
Labour has a 25-point lead in today's Harris poll for *The Independent*, with seven weeks until the general election. It is on 52 per cent, one point lower than last week's poll. The Tories are three down on 27 per cent, and the Liberal Democrats up 4 to 14 per cent. Page 6

South West cuts
South West Trains, dubbed the worst in Britain, is planning to cut rush-hour rail services from its summer schedules, according to documents obtained by *The Independent*. Page 3

Bonuses lost in NatWest scandal

Michael Harrison

The Serious Fraud Office was last night standing by to go into NatWest after bonuses worth £1m a piece were doctored from a handful of executives over a scandal in its investment banking arm.

The Bank of England and City regulators were also being kept informed as it emerged that the affair has left a £90m black hole in NatWest Markets. The losses centre round the mispricing of a complex financial in-

strument known as interest rate options.

Four senior employees of NatWest Markets were yesterday suspended from duty pending further inquiries by lawyers and forensic accountants brought in by the bank.

Meanwhile, £8m in bonuses due to a small group of executives in its debt derivatives business, thought to number about eight, will not now be paid.

The chief executive of NatWest Markets, Martin Owen, has also agreed to for-

go £200,000 of his £500,000 annual bonus for last year as "an act of leadership".

The trader responsible for the loss, Kyriacos Papouis, has already left NatWest and his immediate boss has also been suspended. A spokeswoman for the SFO said last night: "NatWest and its professional advisers have been in touch with us concerning their review of NatWest Markets interest rate options trading. We are monitoring the situation and are in touch with the regulators but we

have not yet begun an investigation."

The internal investigation has not uncovered any evidence that the mispricing was carried out for personal gain. But investigators have established that the trades in question were transferred between different accounts, making them more difficult to detect.

NatWest said the practice had been going on since late 1994 but had only come to light this February. Reports, page 20



THE BROADSHEET	
Business & City	20-22
Comment	17-19
Foreign News	11-13
Home News	2-10

Leading Articles	
Letters	17
Obituaries	16
Shares	23
Sport	25-28

THE TABLOID	
Architecture	6,7
Arts Reviews	18,19
Film	4-9
Games	22

Listings	20,21
Radio & TV	23,24
Rock & Pop	8-12
Style	4,5
Weather	22



'Worst railway' to cut rush-hour services

Randeep Ramsekh
Transport Correspondent

EXCLUSIVE

South West Trains, dubbed the worst line in the country, is planning to cut rush-hour services from its summer schedules, according to documents obtained by the Independent.

The company, which has already wiped 39 trains from its daily timetables after laying off 70 drivers – 10 per cent of the workforce – will also replace

through trains in the rush hour with connecting services, forcing passengers to change at two stations in order to get to their destination.

SWT, owned by the Stagecoach bus company, runs the largest commuter service and was the first line to be privatised.

According to its "Train Service Proposals", SWT plans to rationalise the local service in

South Hampshire in the 'peak period'.

Trains to be scrapped include the 7.33am Eastleigh-to-Portsmouth and the busy afternoon ride from Portsmouth to Southampton. The proposals also mean late-night passengers between Portsmouth and Southampton will face a change of train at Eastleigh. Another late service from Eastleigh to Portsmouth will be dropped from the timetable.

Many stations will also be dropped from the company's summer timetable. The 7.15am train from Lymington Pier to Waterloo will only go as far as Brockenhurst, which will cost the commuter towns of Ashurst, Totton and Redbridge a service into London.

The moves come into force with the summer timetable in June and have been agreed by Opra, the office of passenger franchising which let the service,

and Railtrack, the company which co-ordinates the schedules between rail firms.

Rail-passenger groups said their warnings had been ignored. "These services were not protected by the 'passenger service requirements' and hence we have seen them cut as we predicted," said a spokesman for the Railway Development Society. Both the passenger watchdog, the rail-users consultative committee, and

Hampshire county council objected to the changes. Insiders said there was little time to gauge public reaction because of the rush to get the proposals accepted.

The proposals which were condemned yesterday by Opposition MPs and passenger groups and came a week after rail enthusiasts claimed private firms in the South of England had cut trains and failed to meet agreed targets for late departures and excessive journey times.

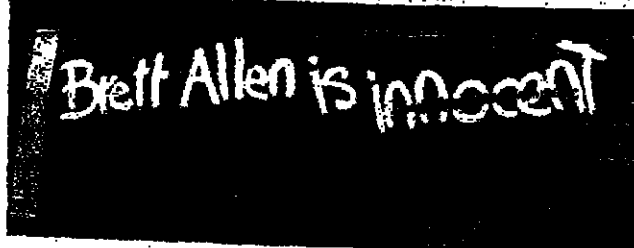
"What we are beginning to see is the extent of the cut-backs which companies are imposing on travellers in a mad rush to cut the grant from the government and push up their profits," said Jonathan Bray, a spokesman for Save Our Railways, an anti-rail privatisation lobby group.

The Labour Party said that the "franchising director is on his last ride."

A spokesman for Glenda Jackson, Labour's junior transport spokesman, said: "Rail services are now disintegrating as rapidly as the Government. Ministers need to step in and control the monster they have created."

A spokeswoman for SWT said last night: "Some services have been cut in a bid to reduce over-crowding on trains in the London area."

Hazardous journey, page 24



Fact or fiction. Will the real Brett Allen please stand up?

Clare Garner

"Brett Allen is innocent" the billboards have been screaming – yet another miscarriage of justice, perhaps, a man wronged? The name has been emblazoned on buildings all over the country much to the bemusement of Brett Allen, the student from St Albans who has become entangled in a promotional campaign for a new novel.

Yesterday, the 'real' Brett Allen came face-to-face with the publisher of a book whose advertising campaign takes his name in vain.

"Who is Brett Allen?" he asked the marketing director of Random House. "It's a fictional character – a woman," came Mark McCallum's reply.

"Is there a real Brett Allen?" he continued. "Somebody's

cousin is actually called Brett Allen," replied Mr McCallum, faintly amused. "Apparently they are being driven crazy by seeing their name up everywhere. We've gone for it big time – to raise the profile of the author."

"I wouldn't like to be the real Brett Allen!" exclaimed the real Mr Allen. Mr McCallum agreed. "He was supposed to be saying his life has been made a misery by this," he remarked casually.

Mr Allen had come to London to clear his name. Posters have been plastered on walls outside law courts, police stations and railway stations to give the impression of a subversive prisoner protest campaign. The words were beamed into the sky for the whole of London to see and crime correspondents were



Literary reflection: The real Brett Allen (above) at the launch of the book *The Final Judgement*; and, left, the promotional poster by Saatchi and Saatchi

anonymously urged to take up the case.

Yesterday it was revealed that it was all part of a Saatchi and Saatchi's campaign to promote *The Final Judgement*, in which a woman called Brett Allen is accused of the murder of her boyfriend.

But in raising the profile of their best-selling American author, Richard North Patterson, Random House has inadvertently trodden on the toes of the 20-year-old psychology graduate with the same name.

"Obviously I want to disassociate myself from it. Because

I'm an honest guy I don't really want anyone to mistake me for being a criminal."

He first heard about the campaign from his uncle who had seen a poster at Waterloo Station. "I thought he was winding me up at first – but then he sounded quite serious. My dad was concerned."

"If it had been 'Brett Allen is great' or 'Brett Allen is cool' I wouldn't have minded that. Or even 'Who is Brett Allen?' – that would have been OK."

Whilst he hopes that it will work in his favour, his brush with fame has already alerted

him to its price. "I've had calls from people who I don't know. You look at the colour display and it's a withheld number. It becomes a bit sinister."

And the paranoia has begun to creep in. "I'm kind of worried that to a certain extent it's some kind of premonition for

the future. I'm a little superstitious. It could come true. That's lurking in the deep recesses of my mind."

Saatchi and Saatchi was delighted to hear of Mr Allen's existence. "I do think it's an excellent twist that there's a real Brett Allen out there," said a

spokeswoman. "It's quite amazing that it's affected him enough to call you. Obviously the campaign must be provoking some interest."

And when Mr McCallum heard that he had in fact been speaking to the real Mr Allen, he was surprised of "the likeli-

hood that ultimately someone had the time even to say, 'Hey, that's me'."

He dismissed any suggestion that Mr Allen may suffer from the publicity. "I really would be very surprised if it had any particular impact on his life," he said.

Red noses offer bouquet to young homeless

Nicole Vassili

As Agnes and Rachel sit on the concrete step talking to 22-year-old Chris, the London sky brightens. The two women, one from West Africa, the other from Devon, live thousands of miles apart but they have a common purpose: helping young people off the streets and back into society.

Tamale is an impoverished city in north Ghana, where Agnes Chiravira, 38, is co-ordinator of a project which helps children – some as young as three but most in their early teens – to get off the streets and back into the mainstream community.

Back in Britain, 39-year-old Rachel Crane works at the London Connection, a day centre for homeless young people which offers advice, support and a warm place to meet for a chat.

Both projects are heavily funded by Comic Relief, which has raised £112m for disadvantaged people in Britain and Africa since comedian Lenny Henry first introduced Red Nose Day nine years ago.

The pair are about to embark on a 10-day partnership, in which they will swap stories and advice, pick up tips and discuss the problems of helping young people who are homeless.

"I am amazed at the similarities between homelessness in Britain and Ghana," says Rachel. "The causes seem to be so similar. There is often the trauma of family break-up and the grip of poverty. Homelessness is the same the world over."

On first inspection, the problems of dealing with the homeless in Britain and Ghana seem to be quite similar, but it would be naive to say that things are wholly alike.

Agnes, whose year-old project caters for more than 600 children on a daily basis, thinks



Nosing along: The actors Rupert Graves and Tara Fitzgerald dressed up for Comic Relief's Red Nose Day

social services care only when the reach 16. And illegal drugs, glue and alcohol are an easy way to escape the misery of failing in the sometimes judgmental eyes of family and society.

Yet when Agnes sits down to talk to Chris, the differences in their background and experience evaporate into the Spring air.

The young Glaswegian, who has been homeless for six years, is at first embarrassed to talk about his current situation, but as the African woman, unfamiliar with the streets of London, puts her hand on his knee and stares into his bloodshot eyes, he starts to relax.

"You just have to be positive because the rest of your life is before you," she tells Chris. "I say this to all my children. 'Never give up hope and never say you are desperate.'"

Chris nods his head, appearing to agree with this optimistic view of his life.

The women have already decided to swap a couple of ideas. Agnes is particularly impressed with London Connection's cheap meals service and Rachel likes the concept of helping young homeless to set up their own artisan businesses.

As we leave the young man, sitting on his step in the busy Soho street, Agnes turns round to look at him. "When I first started working with the children I used to cry every day," she says with tears in her eyes. "Perhaps things will be the same in London after all."

Events are taking place throughout the United Kingdom in aid of Comic Relief today, including a celebrity fun run through the City of London, a tripe-eating record attempt in West Yorkshire and a sponsored abseil down the Avon Gorge. The day culminates in a seven-hour Comic Relief television special starting at 7pm on BBC1.

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Your questions answered

Unfriendly berth as floating prison arrives from America



It is not pretty, and it is not welcome. Britain's first floating prison for a century was yesterday inching its way into Portland

Harbour on the Dorset coast. Riding piggy-back on an ocean-going barge, the 100ft-tall HM Prison Weare, designed to hold 480 low-

risk prisoners, made its grand entrance at midday. There was no welcoming committee to greet what the Prison Service believes

is a solution to the overcrowding crisis. Residents of Portland were unenthusiastic yesterday at the ship's arrival, claiming that it,

combined with the peninsula's existing two jails, the area was rapidly becoming a penal colony.
Photograph: Brian Harris

Council trips lead to police inquiry

Christian Wolmar
Westminster Correspondent

The police have been called in to investigate the running of Labour-controlled Doncaster Council, after a critical report by the district auditor published earlier this year.

Investigations by South Yorkshire Police's Commercial Branch are thought to focus on the expenses claims of some councillors who went on foreign trips. The district auditor's report drew attention to the fact that trips to various parts of the world, including China, Japan, Poland, Sweden and the United States, appeared not to have been authorised, and had not been the subject of any reports about their purpose to other councillors.

Yesterday, a police spokesman said that officers were "analysing a number of documents" following a meeting with the district auditor but it was "too early to say whether there is any evidence of any criminal offence having been committed".

The news of the police investigation came as it emerged that the scope of the district auditor's investigations have been widened to include the actions of several council officials who are thought to have gone on overseas trips. Because of the police investigations, a second report by the district auditor, scheduled to be published later this month, will probably now not be issued until after the

general election. The Labour Party has also widened the scope of its own enquiries into the affair. Neil Swan, a former councillor who has written to Tony Blair about his concerns that the council was being run by a small group within the Labour party, called the Miners' Community Group, has been told in response that the whole local party is being investigated.

In response to his letter, Sally Morgan, the head of party liaison, said that "the procedure and conduct of Doncaster District are under scrutiny". The Labour Party had previously been reluctant to say it was investigating its councillors, arguing that it was awaiting the second report of the district auditor.

However, Mr Blair's office has received a wide range of complaints about the running of the local party and the role of the Miners' Community Group, and the party leader is known to be keen to ensure that Labour has a clean image in local government.

Mr. Swan welcomed the party's investigation: "I don't suppose they will do anything before the general election, but I hope that afterwards they are going to throw a lot of people out of the party to enable Doncaster to make a fresh start."

Last week, Peter Welsh, the leader of the council, and Ray Stockhill, the deputy leader, stood down from their posts because of the criticisms in the report.

Heseltine's wife given post as V&A trustee

Colin Brown
Chief Political Correspondent

Anne Heseltine, wife of the deputy Prime Minister, Michael Heseltine, was last night appointed by John Major as a trustee of the Victoria and Albert Museum for the next five years. The role is not remunerated.

Mrs Heseltine is currently a trustee of the Imperial War Museum, but Downing Street said she would stand down when her present work there was completed. The new appointment, with a general elec-

tion so close, may raise a few eyebrows, but Mrs Heseltine has a long-term interest in the V & A, which houses collections of fine art, craft and design. She has been a visitor of the Ashmolean Museum in Oxford since 1989 and is also a member of the Tate Gallery British art consultative committee.

Professor Christopher Fraying, rector of the Royal College of Art, becomes an ex-officio member of the V and A board of trustees and like Mrs Heseltine, Professor Christopher White, director of the Ashmolean, also joins.

6 OF THE BEST

7.30pm
Let's Go Gaga

7.45pm
Man and Horses

8.05pm
Iron Street

8.40pm
Miss Daisy

10pm
Very Badly

10.30pm
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هكذا من الأصل

Top-secret US spy plane crashed on British base

SAS scrambled to protect aircraft, whose existence is officially denied

Christopher Bellamy
Defence Correspondent
and Timothy Walker

A top-secret United States spy-plane which flies on the edge of space at five times the speed of sound crashed at the British experimental airbase at Boscombe Down, Hampshire, in September 1994, according to a report in a leading military aviation journal. The SAS, the report said, was scrambled to throw a cordon round the wreckage, which was flown back to the US two days later.

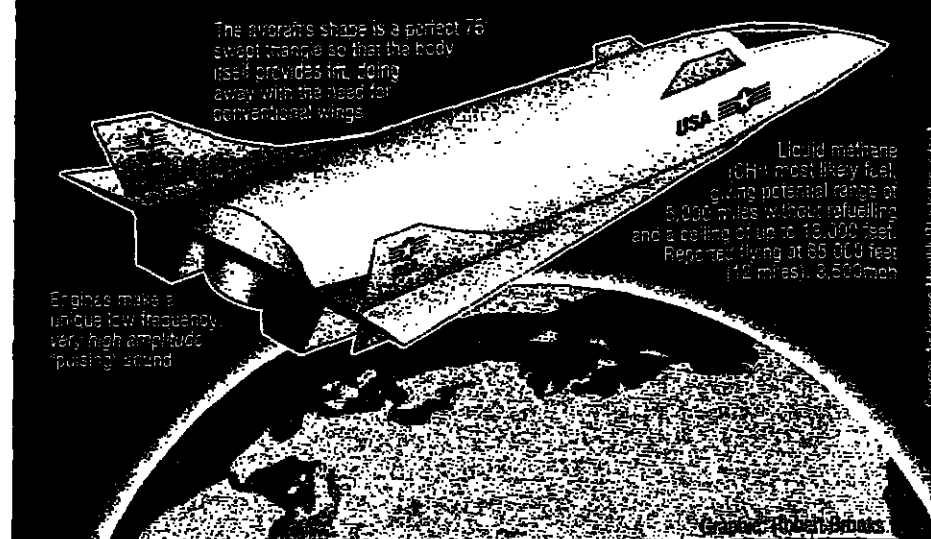
The hypersonic reconnaissance aircraft, called Astra or Aurora, is believed to have been developed in the 1980s as a secret US government "black programme".

Officially, the US denies the aircraft exists, although there have been many reports of mysterious sonic booms and sightings. This is the first report of such an aircraft crashing.

The British Ministry of Defence and the US Defense Department both denied the story yesterday but David Oliver, the editor of *Air Forces Monthly*, said that Royal Air Force officers had been among the sources in a two-year investigation of the incident, and that he was sure the report was true.

"We have no doubt that an

Aurora top-secret hypersonic spy-plane



incident did happen on the day in question and it has never been satisfactorily explained by the authorities", Mr Oliver said yesterday.

Air Forces Monthly is widely read in the MoD and in the defence industry, both in Britain and in the US. The report says the Astra (Advanced Stealth Reconnaissance Aircraft), or AV-6, or Aurora, crashed during take off on runway 23 at

Boscombe Down on the evening of 26 September 1994. London Air Traffic Control Centre was alerted that a serious incident had occurred. Later that night a witness reported seeing a tarpaulin screen around the front of the aircraft surrounded by a number of emergency vehicles. The witness said the rear section of the aircraft appeared to be raised, suggesting the nose-wheel had collapsed.

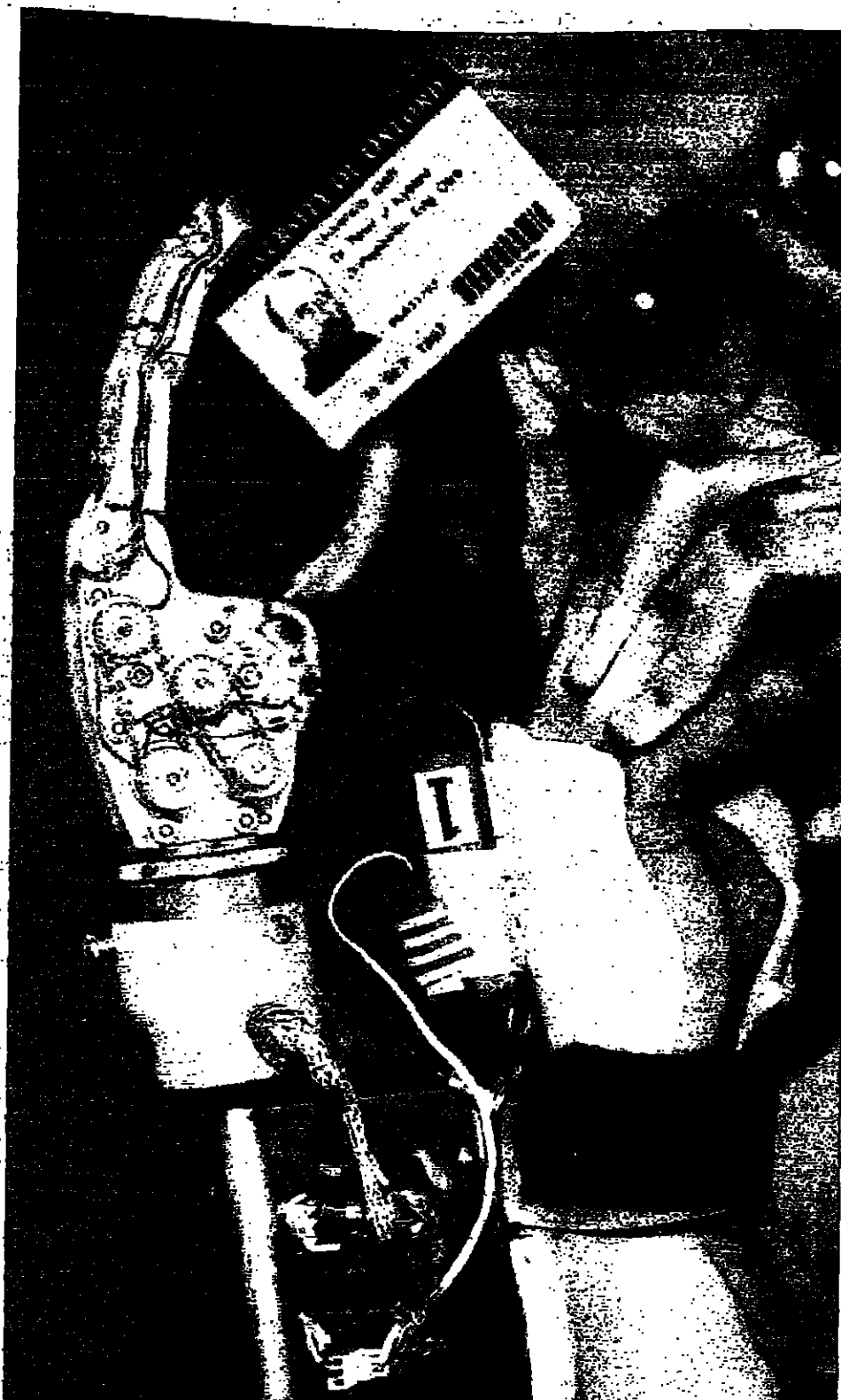
Witnesses also saw and photographed men in plain clothes arriving during the night, who were later identified as SAS. The following day an Agusta 109 helicopter – one of four captured Argentine helicopters used exclusively by the special forces – arrived. "The SAS arrived twice", Mr Oliver said. The wreckage was kept under a tarpaulin in the corner of a hangar but was seen by wit-

nesses when the doors were opened to bring out a Buccaneer aircraft. The next unusual event was the arrival of a giant C-5 Galaxy transport plane, which is believed to have flown the wreckage back to the US on 28 September.

Reports of the new aircraft have been around for five years. In April 1992 a US radio ham intercepted a transmission from an aircraft descending from 65,000 feet, a height only reached by the Space Shuttle and the Cold War spyplane the U2 (later renamed TR1). Concorde, the highest and fastest civil aircraft, flies at 59,000 feet.

In August 1992 unexplained sonic booms were measured over the Netherlands, prompting questions in the Dutch parliament. The path of the aircraft suggested it had flown from RAF Machrihanish on the north-west coast of Scotland. In December that year *The Independent* reported claims by the crew of a boat in the North Sea that they had seen an Aurora and produced an artist's impression similar to the latest impression in *Air Forces Monthly*.

On other occasions radio hams intercepted transmissions from unidentified high-flying jets requesting permission to land at Machrihanish, though that airfield has now closed.



We have the technology: Dr Kyberd with his robotic arm Photograph: Colin McPherson

Robots extend the extra strong arm of friendship

Charles Arthur
Science Editor

Robots were always meant to lend a helping hand: and this one does, literally. It is a robot prosthetic hand strong enough to hold a weight equivalent to four kilogram bags of sugar, which is self-contained apart from batteries and two printed circuit boards.

Built by a team at the Nuffield Orthopaedic Centre and the engineering science department at Oxford University, the hand is intended to replace a human one and is operated by sensing the movement of the muscles in the user's forearm.

"The most important thing

about a prosthetic is that it should be more like a pair of glasses than a hip replacement," said Peter Kyberd, who helped develop the hand over the past three years.

"It should be something you put on in the morning and just wear, that you don't need training to use."

He is shown here operating the hand at the Robotix show in Glasgow's McLellan Galleries, where a huge variety of robots are on show for the next three days.

A number of amputees in the Oxfordshire area have already tried prototype versions of the hand, developed at a cost of £127,000. Dr Kyberd thinks that, for the moment, it is more

effective to operate it via the muscles than by techniques requiring surgery, such as a direct attachment to the nerves that were linked to the hand.

"Nerve attachment would be a huge invasion," he said. "This is better in that it just uses surface attachment: you tense muscles to close and open it, and to touch and to squeeze. If it feels that what it is touching is slipping, it will squeeze tighter."

The maximum that the hand can squeeze is roughly 4.5 kilograms. A normal hand can manage more than 10 times that amount – a range which Dr Kyberd says would be feasible for a robot hand. "Though it would run the batter's down faster".

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politics

When Treasury questions started yesterday, there was a strange form occupying three or four inches of green leather on the third Tory bench, something that really shouldn't have been there. Who was this hunched figure – the clothes hanging loosely off the bone: a jacket draped from the scapulae, a pair of trousers covering femurs and humeri, a lank lock of hair flopping over the bare skull? Give the spectre a scythe, and the picture would be completed.

That old thespian Michael Fabricant – usually drawn to any celebrity or curiosity like a gaudy moth to a flame – suddenly learned the value of geographical discretion, and banished himself to a bench a long way away, from where he stared at Death with the round-eyed horror of a child.

It was ousted Tory rebel Sir George Gardiner, now the only representative on earth of Sir James Goldsmith and the Referendum party: a John the Baptist sent amongst us to tell of that which is yet to come. And this Baptist is well-cast. If he hasn't been dining only on locusts and ditch-water for twenty years, he sure looks as though he has. Except often

DAVID
Aaronovitch

'Til Death us do part ...

he doesn't finish the locusts.

Two rows in front of him, taking up enough space for five Gardiners, was his polar opposite, Ken Clarke. Ken has enough colour in his cheeks for two men; George would fail to lend hue to a paramedic. Ken likes going to jazz clubs; George enjoys funerals. Ken sinks pints of Federation ale; George sips bile from a broken glass.

Disappointingly Death didn't stay. He'd bagged his place and would return to stalk even bigger prey. With Prime Minister's questions coming, it wasn't the ventriloquist he was after, but the dummy himself. While he popped back to the wilderness for a late lunch (root and two berries), the House filled up.

But wait! Here was Sir George again, replenished; the last berry still visible halfway down his neck. There was tumultuous applause, except it was, of course, from the Labour benches, one of whom raised this emanation with the Chancellor. "I remember him as a passionate supporter of the European Movement," Clarke quipped, "but he has moved away from me". At this, Death raised his face to the heavens and made one of those exaggerated faces of disgust that – in boy's school – is occasioned by sudden, unpleasant smells.

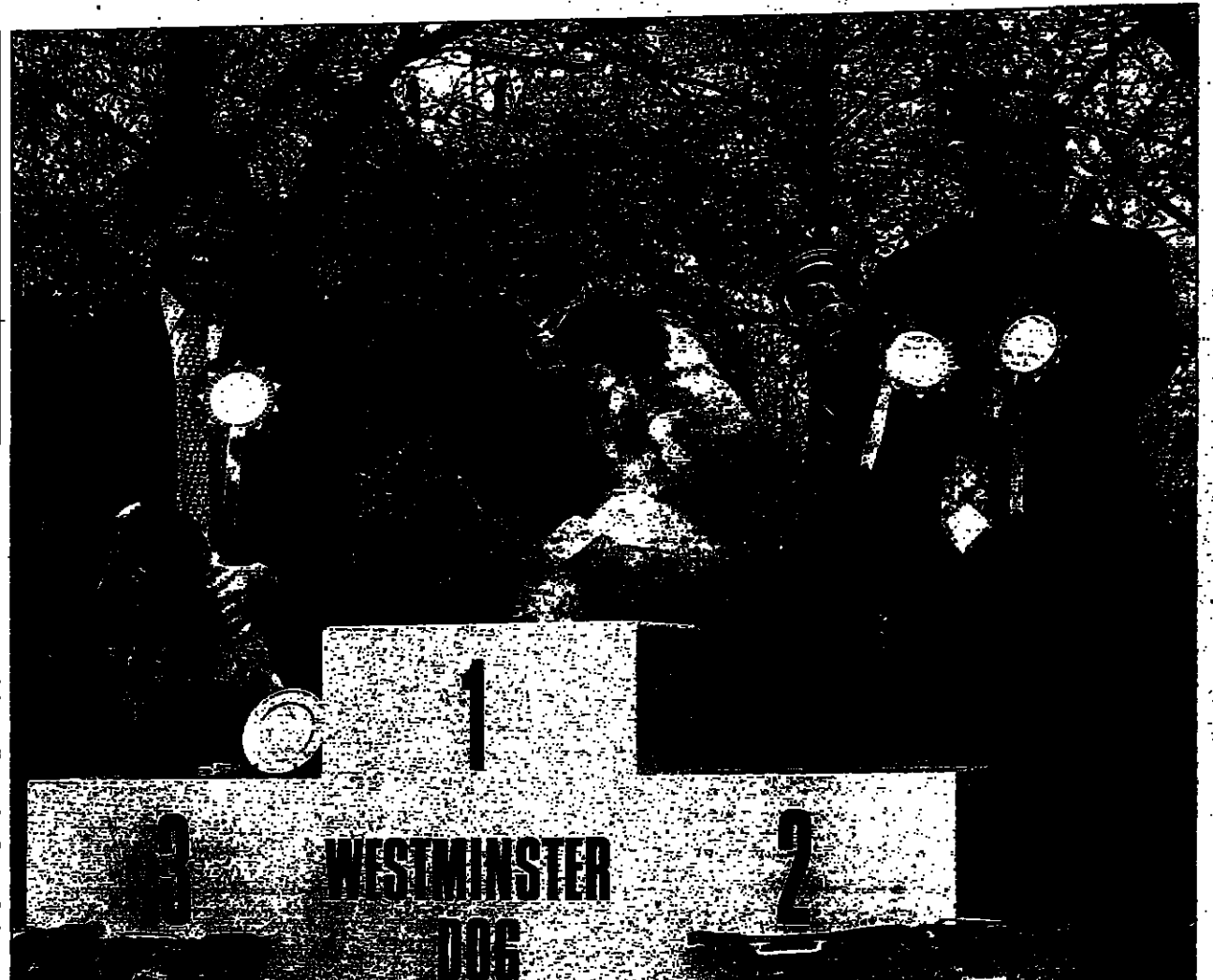
Here was the Prime Minister now, sitting down and having his shoulder tapped by Mr Fabricant. I couldn't hear what was said, but I imagine that Mr F said:

"Psst! PM! Gardiner's here!" And Major replied: "Get your tongue out of my ear, Fabricant!"

Then Prime Minister's questions began. And between each one, Sir George was plucked upwards as though by some hidden heavenly hand, only to subside again, uncalled. It seemed as though his message was to be doomed to go unheard. Then, to a huge cheer from Labour, Speaker Betty called his name. Once more he rose, and – with a modest inclination at the pelvis – bowed to the multitude.

In his not unpleasant voice, he referred to the campaign being run by the European Movement to scrap the pound, move to a federal Europe and slaughter the firstborn. Given that this organisation got money from the EU – and the EU got money from Britain, "how much of taxpayer's money has been laundered in this way?"

Mr Major was undaunted. There was, he said innocently, "quite a lot of money available on both sides". That was it; questions were over – and Death rattled out, surrounded by silent Tory MPs.



Top dogs: The Conservative MPs who won the Westminster Dog of the Year contest yesterday. From left: John Whittingdale, with Humphrey; Phillip Oppenheim, Vom and Peter Brooke, with Koki Photograph: Emma Boon

Labour in 25 point lead as pollsters face big test

John Rentoul

Labour maintains a 25-point lead in today's Harris poll for *The Independent*, as polling companies prepare for an election which will test their new methods and their credibility.

The party, on 52 per cent, is one point lower than in last week's poll, with the Conservatives down three on 27 per cent. Too much should not be read into these changes, which could partly reflect the shift in the Liberal Democrat figure, up from 10 to 14 per cent – more in line with other polls.

A poll by Opinion Research Business, a breakaway from Gallup, for yesterday's *London Evening Standard* showed a similar Labour lead of 24 points. The trend in polls is significant since the Wirral South by-election two weeks ago. Comparing three post-Wirral polls with the same polls before the by-election, Labour's lead widened by an average of five points.

With only seven weeks to go, a Tory party official sounded a faintly despairing note: "The longer we delay the election, the more the gap will close."

John Major must hope that the polls are as wrong as they were last time – and more. In 1992, the Tories won by a margin of 7.6 percentage points,

THE INDEPENDENT HARRIS POLL

Voting intentions

Labour	52%
Conservative	27%
Liberal Democrat	14%
Others	7%

The *Independent's* Harris Poll results. Harris Research interviewed 1,040 adults face-to-face in their homes between 7 February and 10 March.

rather than the one-point average Labour lead shown by the final opinion polls. But it seems unlikely that they will be as far out this time.

The debate among pollsters over the past five years has been occasionally bad-tempered and partly inconclusive.

Most pollsters accepted that they would have to overhaul their methods, with Nick Sparrow, of ICM, leading the way with instant research into the causes of the failure and experiments with new techniques. Bob Worcester, of MORI, was most defensive, but MORI has also changed its methods.

It is now generally agreed that there were four causes of the polls' error in 1992, although no

one can say how important each one was. One has definitely been solved; the other three have been tackled in various ways, but no one will know until 2 May how successful these changes have been.

1. Out-of-date census-type information. All polls adjust their findings to make up for the fact that they have interviewed too few men, too many pensioners, too few rich people, and so on. This is called weighting. In 1992, the pollsters thought the electorate was more working class than it actually was. NOP's unweighted figures, for example, were more accurate than the figures they published.

2. Late swing. Some voters changed their minds in the last few days last time, or on election day. The main movements were from Labour to Liberal Democrats, and from Lib Dems to Tories. This time all pollsters are likely to call back on the telephone, the day before polling day, to people they have already interviewed to check if they have switched, which will give clues to any late swing.

3. Stay-at-homes. Tory voters were more likely to turn out last

time: a factor hard to separate from a late swing. All the pollsters can do this time is ask people how certain they are to vote, although all the evidence is that it is the Tory vote, rather than Labour's, that is "soft". Our poll today finds 62 per cent of Labour voters "certain to vote", against 48 per cent of Tories and 35 per cent of Lib Dems.

4. Stay Tories. This is the really tricky problem: in 1992, Tory voters suddenly did not want to take part in opinion polls or, if they did, tell pollsters how they would vote. We might guess that, with Margaret Thatcher gone, there was no counterbalance to the fact that Tory voting had come to be seen as selfish or uncaring. With the Tories now breaking records for unpopularity, it is assumed that this "conspiracy of silence" still exists.

It is difficult to adjust for this, especially for those who refuse to take part in opinion polls. But the evidence from large random surveys conducted over long periods is that roughly equal numbers of people remember voting Labour and Tory at the last general election (people tend to revise their memories according to their present views). This might be a way of checking the reliability of polls.

In our poll today, Labour has a one-point lead in how people say they voted in 1992.

Lib Dems make youth crime vow

Colin Brown
Chief Political Correspondent

Competition to be tough on crime between Michael Howard, the Home Secretary, and Jack Straw, his Labour shadow, was condemned as "obscene" by Alex Carlile, the Liberal Democrat spokesman on home affairs.

"It's no more than a sort of spot the ball-and-chain competition," Mr Carlile, who is

standing down at the election, said on BBC radio. His remarks could mark a serious rift with Labour on its promised crackdown on law and order, if Labour wins the election.

He accused the other parties of "demonising a generation" by failing to come up with suitable youth crime prevention policies and putting too many young people behind bars inappropriately. "You see evidence time and time again that crime

prevention is the way to keep prison numbers down, not locking up more people in prisons.

The evidence that prison works as a way of preventing people from committing crime simply doesn't exist," Mr Carlile said.

His party promised to tackle youth crime by expanding community sentencing and establishing targeted prevention schemes from an early age; and to stop the diversion of money from crime prevention

to prison building under the Crime and Sentencing Bill.

Victims would be given a new deal under Liberal Democrat plans to introduce a restorative approach to justice, in some cases requiring offenders to compensate for the damage caused to their victims. The party's manifesto will pledge a review of sentencing. Money would be diverted from jails to concentrate on preventing crime and increasing conviction rates.

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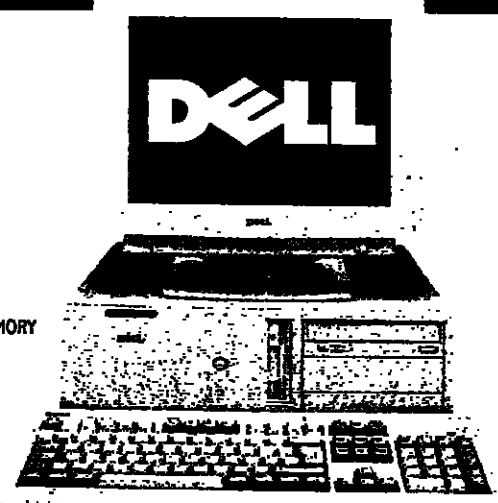
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news



Finger food: Matt McLaughlin, head rider of the Lippanzer Horse Troupe, from Florida, rewards mount Conversano Bella Donna the 3rd of Clyde after rehearsals for last night's show at Wembley Arena, the opening venue for a nationwide tour
Photograph: Kalpesh Lathiga

Judge sounds last post for forces' gay ban

Patricia Wynn Davies
Legal Affairs Editor

A key blow was struck against the Government's ban on gays in the military yesterday after a High Court judge sent the most critical challenge yet to the European Court of Justice.

A ruling in favour of a sacked naval medical assistant, Terry Perkins, who claims Britain is breaking the EU Equal Treatment Directive, would mean the scrapping of the policy and could pave the way for a multi-million pound compensation bill for the Ministry of Defence for the thousands of homosexuals discharged from the forces over the past 20 years.

Such a ruling would also force the Government to

change the law covering the private sector, creating the right for gays not to be discriminated against in employment.

In the wake of a recent European judgment giving transsexuals protection from discrimination at work, Mr Justice Lightman said the prospects of the Luxembourg court upholding Mr Perkins' complaint were "significant" and sufficient to justify a reference to Europe.

Mr Perkins, 28, was discharged in October 1995 after nearly five years exemplary service following a tip-off to the Royal Navy's special investigations branch, and is among the 100-plus homosexuals believed to be sacked because of their sexuality each year. Following service at sea he trained with the Royal Marines and gained early promotion. He now lives with his partner in Nottingham.

Mr Perkins, now a technical services consultant, praised the judge's "brilliant" ruling, adding: "I have a lot of friends in the Royal Navy who don't have a problem with it at all. I have had no negative feedback whatsoever."

In yesterday's judgment, Mr Justice Lightman said: "Homosexual orientation is a reality today which the law must recognise and adjust to ... there

must be a real prospect that the European Court will take the further courageous step to extend protection to those of homosexual orientation, if a courageous step is necessary to do so." A ruling is expected in about 18 months.

Duncan Lustig-Preen, 37, one of four sacked gay service personnel whose cases are pending before the European Court of Human Rights in Strasbourg, said: "I am delighted we have opened our second legal battlefront in Europe and that the judge has so clearly expressed the view that the blanket ban is likely to be considered unlawful."

Nicholas Soames, the Armed Forces Minister, said: "The Government supports the armed forces in their wish to maintain [the] ban. Homosexuality is not compatible with the trust that must exist between comrades in arms ... I fear that Labour, if elected, would give up the case."

The MoD said it might argue that the ban on gays was "purely for the reason of combat effectiveness and incompatability and that such key defence decisions are outside the scope of the EU treaty from which the directive derives and also outside the scope of the European Court of Justice."

Leading article, page 17

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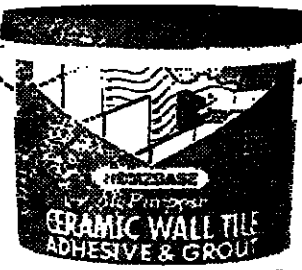


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DAILY POEM

My Hands

By Tariq Latif

All day I have wiped paste inks
From auxiliary rollers, ink ducts,
Rubber stamps and the work top; dabbing
My fingers in trichloroethane.

The cleaning solution is clear as water
And smells like methylated spirits.
My fingers are numb. When I squeeze them
They tingle, letting loose

Tiny electric bolts. The top part
Of the fingerprints are grained with inks.
My fingers are like lighthouses
Granulating under a storm of acids.

Fissures straddle across them.
Some cuts run deep as valleys. The air
In them is loaded with missile-shaped atoms
That bombard the surface.

Dust plumes up. I shed flesh flakes.
My hands are ageing, faster
Than the rest of me; look
They are like two finished pages of a diary.

"My Hands" comes from Tariq Latif's second collection, *The Minister's Garden* (Arc Publications, £6.95). Born in Lahore, the poet moved to Manchester in 1970, graduated in physics at Sheffield University and now runs a labelling business. *The Minister's Garden* is distributed by Password Books Ltd, 23 New Mount Street, Manchester, M4 4DE.

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Fish out of water: (top from left) Whiting, cod, plaice; (bottom) haddock, herring, halibut and mackerel - all are at risk of over-fishing in the North Sea where they may be thrown back, dead, into the water. Photomontage: Jonathan Anstee

Plenty more fish in the sea? Not any longer

Nicholas Schoon
Bergen

Half the catch of cod and haddock from the North Sea is thrown back overboard, dead, environment and fisheries ministers from nine nations bordering the heavily over-fished sea were told yesterday.

The ministers, with two very different sets of responsibilities, are meeting at international level for the first time in an attempt to change forever the politics and diplomacy of fishing. That, at least, is the stated goal of some, including the Secretary of State for the Environment, John Gummer.

Discarding over-quota fish "isn't unfortunate or silly, but basically wrong and indefensible," he told his fellow ministers from Norway and other Euro-

pean Union states: the EU's common fisheries policy had failed. "We spend so much time sharing out the stocks that we haven't found a way of increasing them," he said. Some of the estimates for stocks allocated among the nations were "invented, paper fish" which did not exist in reality.

Cod is the most endangered large stock. But fisheries ministers have failed, year after year, to introduce curbs and tough quotas which lift the risk of stock collapse for many species.

Lobbying by fishermen and their MPs leads to quotas being set which are often well above the recommended safety levels.

The quota system also leads to vast quantities of fish being discarded because they are below the minimum legal landing size or because boats have al-

ready caught their allowance of the species.

The ministers were told yesterday that, by weight, 22 per cent of cod and 36 per cent of haddock were discarded. But the number of fish thrown back is put at 51 and 49 per cent respectively.

The joint declaration which the ministers will sign today aims to put North Sea fishing on a sustainable basis. It should also begin a new process of setting maximum annual catches and minimum safe-stock levels which would impose much tougher

limits on quotas. The declaration is expected to call for safety limits, as yet undecided, to be set within two years for 11 of the most important stocks, including cod, plaice, herring, mackerel, haddock and sand eel.

The Bergen meeting, which

ends today, cannot change anything directly because the North Sea conference process, of which it is part, does not make fishing law and policy. That is the domain of the EU's Common Fisheries Policy, the Norwegian government, and whatever the

two of them agree in their regular negotiations. But the final ministerial declaration ought to give a strong political direction towards reforming the policy.

For Mr Gummer, yesterday brought the chance to renew his acquaintance with Norway's

plain-speaking Environment Minister, Thorbjørn Berntsen, the conference chairman. A few years ago he declared Mr Gummer "a shit-bag" when they disagreed about whaling. In Bergen yesterday Mr Gummer said they were friends.

McAliskey can keep baby in jail

Patricia Wynn Davies

The pregnant terrorism suspect, Roisin McAliskey, will be allowed to keep her baby with her in Holloway jail when it is born, the Prison Service decided yesterday following a recommendation by an expert panel.

Alan Walker, director of operations, took the decision after a review of medical reports by the panel of welfare and health representatives yesterday morning. "I have agreed with the views of the expert panel that it would be in the child's best interests for them both to be located in the mother-and-baby unit," he said.

The move will make Ms McAliskey, 25, who is seven months pregnant, the first Category A prisoner to have a baby in prison. It comes amid controversy over her four-month detention, without charge or conviction, while Germany seeks to extradite her in con-

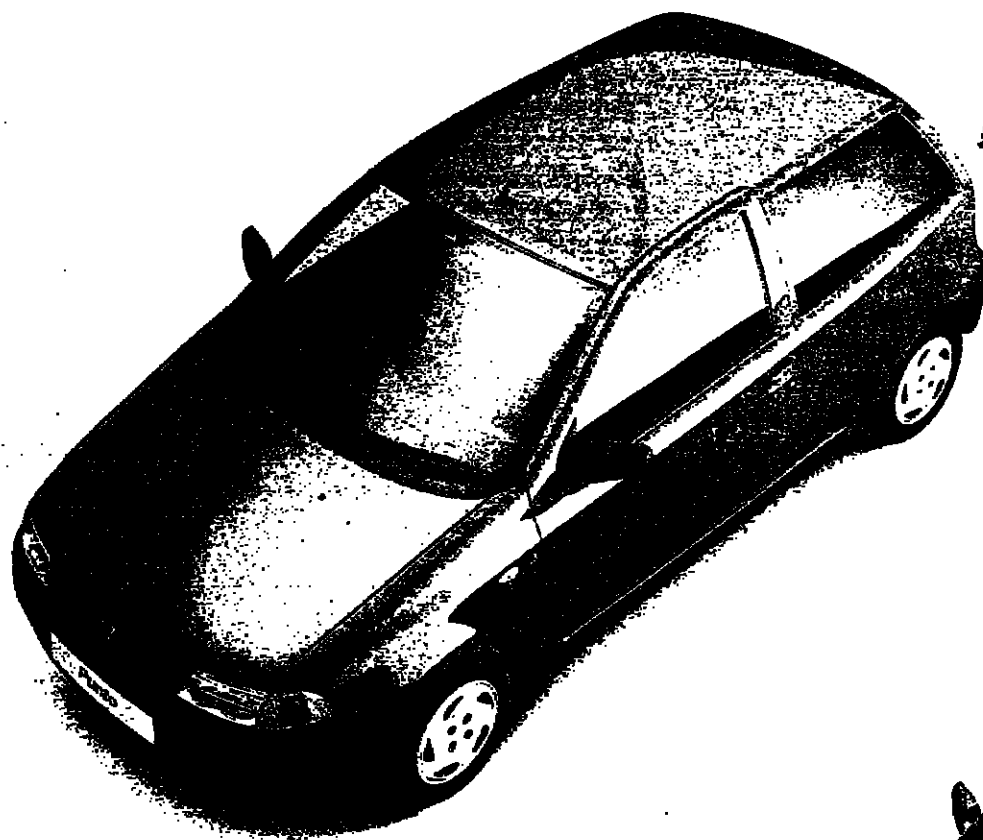
nection with the IRA mortar bomb attack on a British Army base in Omagh last summer. She denies involvement.

Following the recent reduction in Ms McAliskey's security categorisation from high-risk to standard-risk Category A, she will be able to attend antenatal classes at the north London jail in the final weeks of her pregnancy.

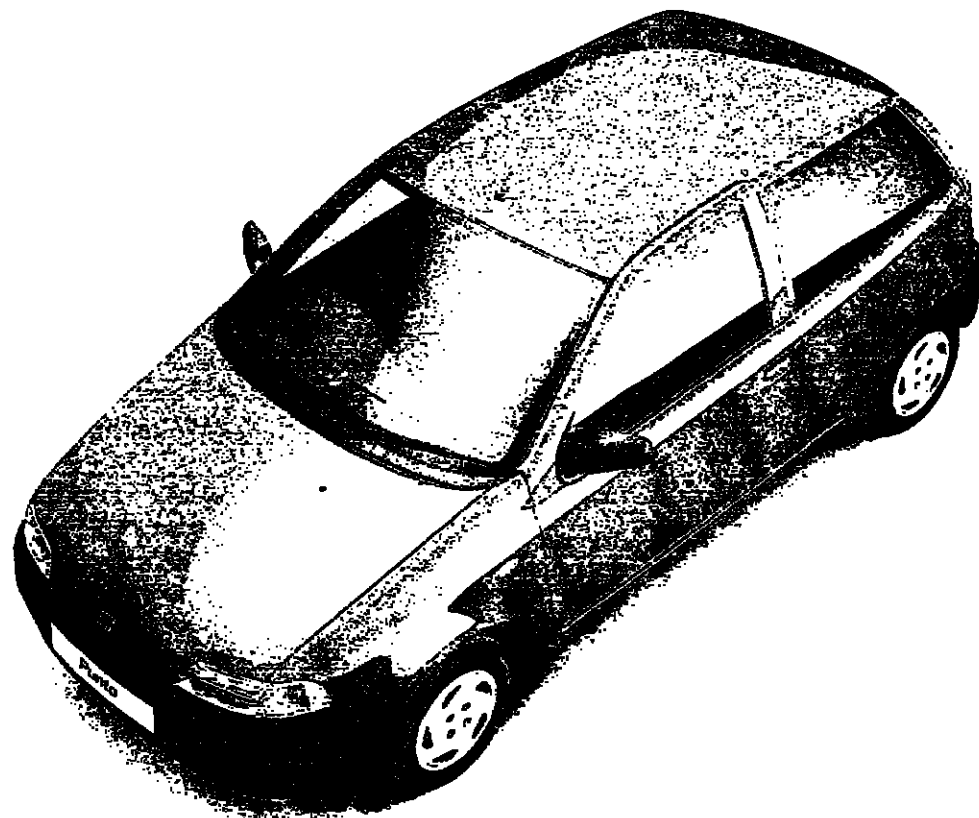
The detention of Ms McAliskey, daughter of the former nationalist MP Bernadette McAliskey, has sparked a campaign for her to be granted bail because of her condition. Her lawyers will make a fresh bail application today.

Ms McAliskey will give birth in an outside hospital and will not be restrained while she is there. Her mother said she was delighted with the decision, adding: "Now we have ensured that mother and baby stay together, the next step is to ensure that mother and baby are together outside jail."

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news

Forget the rumours about Ken. Billy, the gay doll with all his parts, takes the market by storm



Out of the closet: Billy, the world's first proud to be gay doll – and anatomically correct in every detail – modelling a range of outfits

Kate Watson-Smyth

For years there were rumours about Barbie's boyfriend, Ken, and everybody wondered whether G.I. Joe would come out of the closet. But now those bets are off – there is a new boy in town.

His name is Billy and he is the world's first out and proud gay doll, anatomically correct in every detail. Tall and blond with biceps and boxers bulging, Billy is taking America by storm. The 13in tall doll, whose penis measures 1.5 inches, was launched at the New York

International Gift Fair less than a month ago and sold out within three days of delivery to the American stores.

John McKitterick, a former fashion designer for Red or Dead, who designed Billy, is delighted. "I was always sure he would

be 100 per cent successful because he is the first gay product that can be sold over-the-counter instead of under it," he said.

Mr McKitterick, who is gay, insisted that Billy is a responsible adult who has a message to convey. "We are taking gay-

ness out of the ghetto, but we are not saying that every gay man should look like this. We are trying to put out a message about individuality and persuading people that it is OK to be gay, to be different," he said. "The point is that you should not judge people."

Billy began life as a two-dimensional drawing who modelled Mr McKitterick's designs, but the idea of making him 3D gradually took hold as he acquired a personality.

For the record, he is from Amsterdam, advocates peace, understanding and safe sex and he has his own condoms – Japanese finger condoms are a perfect fit.

However, for the time being Billy, who retails at \$49.95 (£30), will only be sold in the United States.

"It is not that the British are not ready for him, just that he was launched in America and he has done so well that we are trying to cement that," Mr McKitterick said. "When the time is right he will be sold in England."

Mr McKitterick is currently working on a "friend" for Billy, but his identity is a closely guarded secret.

"Billy is gay because I am gay, if I was a transvestite ... who knows," he said.

In the meantime, not to be outdone by his female counterpart, Billy has a range of simply gorgeous outfits. There is Wall Street Banker Billy, sailor Billy, cowboy Billy, Master Billy (very rubber and studs) and San Francisco Billy, who's just hanging out dude.

In two months' time Hollywood Billy will be on the scene, complete with shades and lycra shorts.

Mr McKitterick's dearest wish is to build Billy his very own apartment, where he can entertain friends with the video from the song he has recorded.

Move over Ken, you are so dated man.

Repairs backlog threatens schools

Lucy Ward
Education Correspondent

A ticking "timebomb" of crumbling schools will explode within three to five years because planned spending on repairs is being cancelled in favour of emergency patching and mending, local authority architects warned yesterday.

A survey of 70 councils from shires to cities revealed the shortfall – between the billions authorities say is needed to repair crumbling schools and the cash the Government permits them to spend – has hit a 20-year high. This year, councils say their allocation represents just a fifth of what they need.

The problem is worst in primary schools, where the gap between need and actual spending to repair crumbling roofs, replace leaking mobile classrooms and even clear dangerous asbestos has risen by 40 per cent in the last three years. In secondary schools, the shortfall has increased by 25 per cent.

The Society of Chief Architects in Local Authorities, which carried out the survey, said its research showed councils were cutting back on planned repair projects such as new school roofs to release money for day-to-day maintenance work.

The society's buildings spokesman, Laurence Cooper, said delays to major schemes meant more money spent on patching up.

"Instead of having a new roof you start putting out the buckets, which ultimately means greater cost and more disruption in schools. We appear to be entering a downward spiral towards a crisis in the next three to five years."

Local education authorities were told by the Department for Education and Employment in December that they would be allowed to borrow less than a

fifth of what they had asked for to spend on schools building and repairs in 1997-98. The total available is almost £700m, but councils had asked for £1.9bn to ease an estimated repairs and maintenance backlog of £3.2bn.

Lancashire County Council is among the authorities forced to postpone major repair projects to find the cash for general maintenance.

The authority asked for permission to borrow £34.5m in 1997-98, but was granted approval for just over £5m. The entire sum is allocated for spending on new school places, leaving not a penny towards the £20m the council says is needed for repairs.

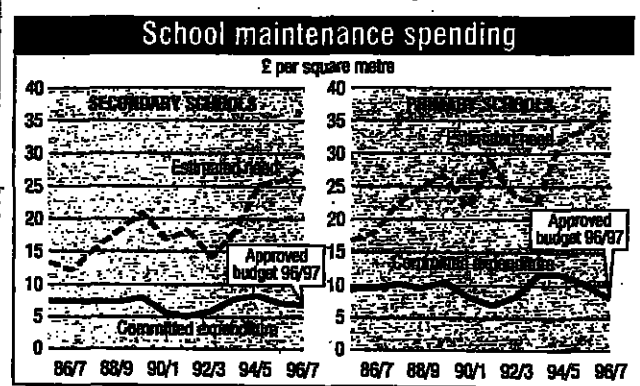
Ray Marriott, head of planning and community services, said the cash was needed to replace rotting and leaking Sixties-built school buildings.

He added: "It is simply that the whole fabric of buildings deteriorates yet at the rate of school replacement we have at the moment some of our schools are going to have to wait 700 years to be renewed."

John Ryan, Labour education chairman of Bradford council, said the authority needed £200m to bring all its schools up to standard. However, the authority had won approval for only an eighth of the £40m repairs money it asked for to replace 149 roofs and remove asbestos from 148 schools, among other projects.

David Whitbread, spokesman for the Association of County Councils, said most authorities saw their capital budgets eaten up on providing new school places and were unable to spend adequately on repairs.

A spokeswoman for the DFE said the upkeep of buildings was the local authorities' responsibility. If they delayed, buildings would deteriorate and the final cost would increase.



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Afghans hope for peace in the pipeline

Christopher Bellamy
Defence Correspondent

Two massive new pipelines are being planned to carry natural gas through the embattled territory of Afghanistan, from Turkmenistan in Central Asia to Pakistan and India.

Although Afghanistan is still regarded as unstable, two corporations – one from the United States and one from Argentina – have tabled plans to build pipelines to carry billions of cubic metres of gas from the ex-Soviet republic to southern Asia.

If one or both of the companies succeed, it will be the first large-scale private investment by the West in Afghanistan since the Soviet invasion in 1979.

The plans follow the discovery of a colossal deposit of 750 billion cubic metres of natural gas at Yashlar in Turkmenistan. Besides the potential commercial advantages to anyone with the courage to invest, western diplomats see the pipeline plan as a way of stabilising Afghanistan and the entire Central Asia region.

One pipeline is proposed by the Bidas Corporation, an oil and gas company which has an Argentinian director, and is based in the British Virgin is-



lands. The other is proposed by the American Unocal Corporation, teamed with the Delta Oil Company of Saudi Arabia. Both propose four-foot diameter pipes, 800 miles long crossing Afghanistan and avoiding the most rugged mountains.

At present, the two corporations are in dispute. Bidas is pursuing two separate legal actions – one against Turkmenistan and one against Unocal, for its "tortious inter-



Battle weary: Afghanistan has seen little peace for decades. If its mineral wealth – or that of its neighbours – can be exploited, the country could enter a period of stability. Photograph: AP

ference" in a plan to export the Yashlar gas to Pakistan. Bidas set up a joint venture with Turkmenistan to develop Yashlar in 1992. But in 1995, Turkmenistan granted Unocal rights to set up a consortium to build a pipeline from the Turkmen-Afghan border to Multan.

Malcolm Hurlston, representing Bidas and speaking from Ashkhabad in Turkmenistan, said that in February 1996, Bidas had signed an exclusive agreement to build the pipeline with the Taleban, the Islamic group then controlling large parts of the south of the country.

"This year, Bidas has visited all the different parties in Afghanistan and has confirmed the agreements with them to go forward with the project without waiting for the end of hostilities," he said.

Last month, Bidas also won a deal to upgrade the existing gas pipeline system in Kazakhstan, which forms part of the former Soviet network and carries Turkmen gas to Russia and on to Western Europe.

Yesterday, Mr Hurlston said he had been in negotiation with all three warring factions in Afghanistan, although the route envisaged passes through the area controlled by the Taleban, which now controls Kabul and most of Afghanistan.

The Bidas pipeline is planned to run from Mary in Turkmenistan through west and south Afghanistan to Sui in Pakistan, from where it is hoped it will link with existing pipelines into India. It will require six

compressor stations to keep the gas flowing, and will cost \$2.5bn. The Unocal proposal envisages a similar pipeline, ending nearby at Multan, at a cost of \$1.9bn with the exten-

sion to northern India costing \$600m. Both proposals plan to send up to 20 billion cubic metres of gas a year.

The final decision to proceed will depend on a lasting peace

in Afghanistan – something anticipated by the two corporations. The West has a strategic interest in exploiting the oil and gas resources of the area. If Afghanistan, which has been at

war for 20 years, is to become stable, diplomatic sources said yesterday, a dollar-earner – oil and gas – or a pipeline carrying them – will help.

Britain also takes a wider

view of South Asian security. If India and Pakistan, with their vast and growing populations, are dependent on each other for access to the oil and gas deposits of Central Asia, they are less

likely to attack each other – as they have done in the past. Military planners believe a major war between India and Pakistan might be the most likely scenario for a future nuclear conflict.

Turkmenistan's Minister for Industry and Mineral Resources, Guchmurad Nazmzhanov, said on Tuesday that his country had 6.5 billion tonnes of oil and 21,000 billion cubic metres (more than 20 times the Yashlar pocket) of gas. He said his government had taken "concrete steps" to attract investment in the oil and gas sector.

Until now, experts have been sceptical about the prospect of exploiting oil and gas in Afghanistan, or taking Central Asian oil and gas out through it, because of the cost and the area's instability. US prospectors found small quantities of oil and gas in Afghanistan in the 1930s, but the natural route out was always seen as to the west, via the Caspian Sea. However, potential instability in Russia, along with increasing energy demands in India and Pakistan, have altered the picture.

Cult hero who fritters away state's wealth

Tony Barber
Europe Editor

In a region with a rich tradition of luxury-loving, self-glorifying despots, President Saparmyrat Niyazov of Turkmenistan just about takes the biscuit. Every newspaper, every billboard, every banknote and every office in his desert nation has a picture of the man who is known to his people as "Turkmenbashi" (leader of all the Turkmen).

"May my tongue shrivel up and my bones turn to ashes if I betray my country or my president," chant Turkmen children every morning. In Ashgabat, the capital, a statue of Mr Niyazov's mother nursing the president as a child depicts him as a Christ-like figure.

As Communist Party leader before the collapse of the USSR, and then as president of the first independent Turkmen state in history, Mr Niyazov has established a personality cult as huge as those of Stalin and Mao Tse-tung. Towns, mosques and roads are named after the man who, according to his critics, is frittering away Turkmenistan's gas and oil wealth in an orgy of corruption and extravagant spending.

Avdy Kulyev, a former Turkmen foreign minister who broke with the president in 1992, said: "Niyazov has begun to lead the people back into the Middle Ages. Beginning in 1991, when we achieved independence, we began to slip back from the level of development that we attained under Russian hegemony to the 19th century or possibly even the 18th."

Mr Kulyev told the magazine *Transition*: "Niyazov was counting on the country being able to survive on the proceeds of our oil and gas, which would generate enough wealth that everyone would have a Mercedes, no one would have to work, and the population would lie around drinking tea and thinking of nothing... There is only one way out, by getting rid of this leader and this government."

According to the US-based

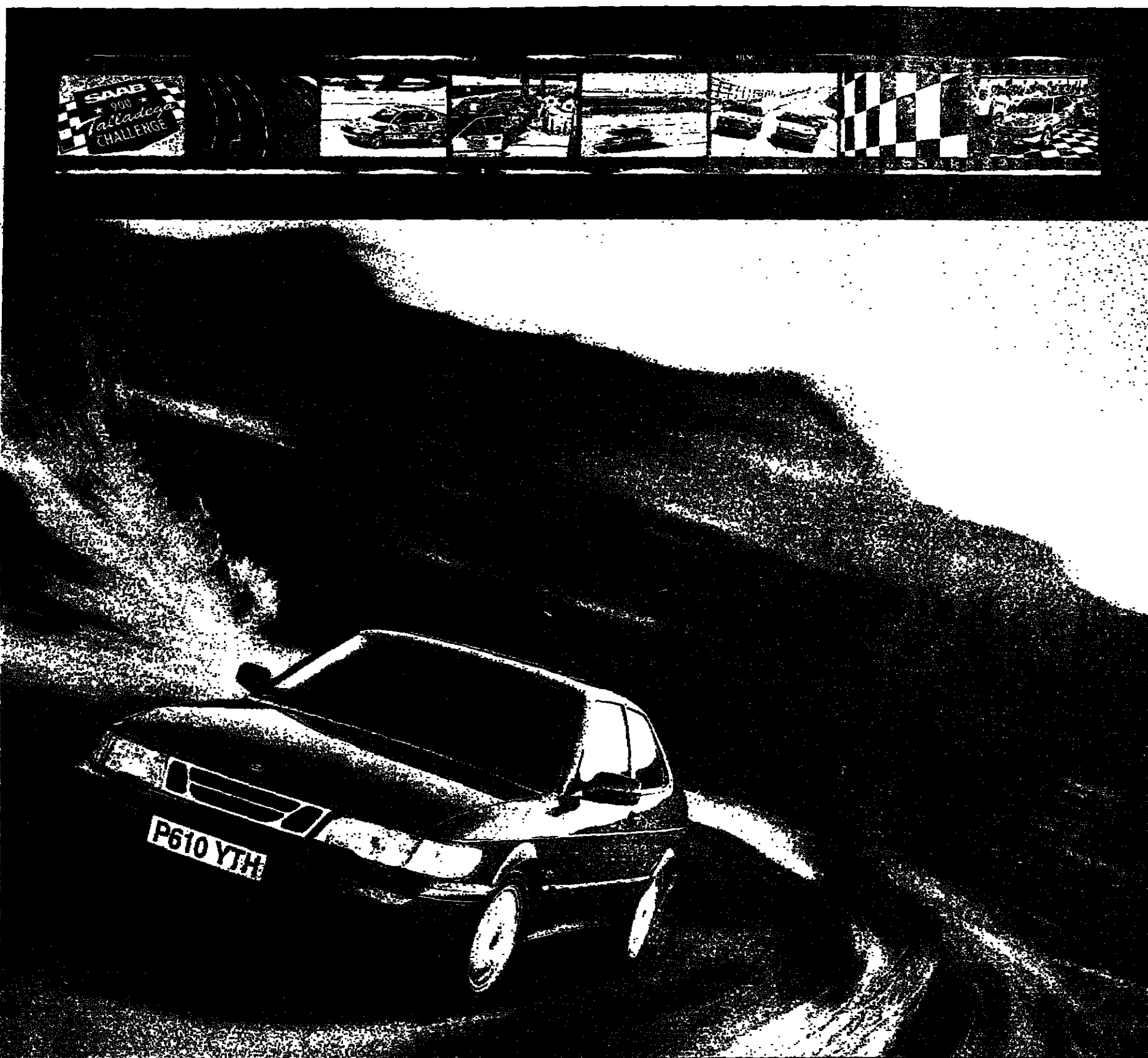
human rights group Freedom House, which ranks the performances of all the world's governments, Turkmenistan last year was one of the 17 most repressive countries on earth. With the average person's monthly income hovering at £10 or less and annual inflation of more than 300 per cent, most of its 4.5 million people do not even have the consolation of enjoying energy-derived personal wealth.

Since independence, Turkmenistan's development has been held back by two fundamental problems. One is its reliance on Russia to transport its gas – its main export – to the markets of Ukraine and the Transcaucasian states.

The other is that these countries are so poor that they have run up debts to Turkmenistan of about £1.25bn. If Mr Niyazov is to fill his treasury's coffers and start modernising his country, it is essential for Turkmenistan not only to collect its debts but to develop new markets.

This is one of the main impulses behind the Turkmen drive to build a gas pipeline across Afghanistan to Pakistan. Another is the desire to loosen the grip which Russia currently maintains on Turkmen export pipelines.

With picky Uzbekistan, turbulent Afghanistan and zealous Iran for neighbours, Mr Niyazov is not foolish enough to think that either he or his vulnerable country can survive without Russian blessing. However, according to Mr Kulyev, that has not prevented Mr Niyazov from occasionally playing the anti-Russian card in an effort to win popularity at home. Anti-Russian feeling has charted a course through Turkmenistan's history ever since Tsarist forces slaughtered thousands of Turkmen at the battle of Geok-tepe in 1881. While avoiding extremes, Mr Niyazov has made Turkmen the state language and stifled freedom of expression for his country's 300,000-strong Russian minority.



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Street of shame: The EU is to inject cash into the work of restoring the Gran Vía, Madrid's pulsating, but tarnished artery Photograph: Colorific

£24m facelift for grand boulevard that swapped style for sleaze

Elizabeth Nash
Madrid

The Gran Vía, the pulsating artery of Madrid, a swaggering art deco, jazz age boulevard lined with some of Europe's finest baroque follies, earliest skyscrapers and glitziest movie palaces, is to be "remodelled" with the help of European Union funds.

Once it was one of the swankiest thoroughfares in Europe. When it was built in 1910, 14 streets were scythed away to permit the passage of the motor car. The Gran Vía blossomed during the First World War, when neutral Madrid was

a magnet for every kind of prosperous activity. "Vulgar and blatant" was how Gerald Brennan, the writer on Spain, found it in 1949.

This week, Madrid's city fathers described the Gran Vía and 10 adjacent squares as "the most derelict and socially marginal areas in the city". They say prostitutes, drug dealers and "urban tribes" abound. They reckon it will cost £24m to spruce the area up and have asked Brussels to go halves.

It is true that the Gran Vía has seen better days, that on an evening stroll to the austere 1930s cocktail bar Chicote, you may glimpse a dazed prostitute peering in a doorway. As you press in with the crowds to a film at one of the 1920s cinemas, as grand and kitsch as the set of a classic Hollywood musical, you may meet a drugged performance artist with a drugged cat on his shoulder, or an elderly man crouched beneath his blanket across the doorstep that he has appropriated every night for almost 20 years. Many regard the area north of Gran Vía as a no-go area after dark.

Crucial to the "remodelling" is a proposal to widen the pavements by nearly two metres each side, which is fine for crushed pedestrians, but will compound the street's horrendous traffic jams. More worrying is a pro-

posal to create a "leisure trail", suggesting the existence of 18 theatres and 19 cinemas within a few hundred yards of each other is not a powerful enough attraction: their facades are to be touched up, walkways created, special signs erected and street furniture renewed.

Let's hope they don't tear down the giant handpainted cinema posters. The Gran Vía must be the last outpost of the Western world where this engaging art form survives. Nor should they tinker with the facade of Madrid's finest art deco building, the Capitol, built in 1932; or with Spain's first skyscraper, the Telefonica building, by the metro station. Hailed as a modern triumph when it went up in 1929, this was the place where journalists went to file and be censored, during the Spanish civil war.

At the far end of the street, Franco's even taller Edificio Espana, built between 1948 and 1953, is unlikely to be affected by the Town Hall's improvement plan. Its curious mock-Habsburg details have been lovingly restored by private developers. Prosperous youngsters are snapping up the smart modernised flats with their breathtaking views to the mountains, or down the main drag - the Gran Vía - to the heart of the capital.

significant shorts

Paris shop blasted by hit-and-run bomber

A parcel bomb exploded in a shop in Paris, slightly injuring one person. A passer-by apparently threw the bomb into the home-decoration shop in the rue Monge, in the Latin Quarter. It bounced down the stairs into the storeroom in the cellar and exploded. A store employee, alone in the cellar room, was slightly hurt by the blast, which caused minor damage. The suspected bomber escaped.

Reuters - Paris

Senators beg to differ

It would be a crime to beg aggressively, to relieve oneself in public and to lie down in doorways or on pavements in commercial districts under a bill passed by the New York state senate. Its sponsor, Guy Velella, a Republican, said the bill was aimed at many New Yorkers' quality-of-life concerns, and was not aimed at poor or homeless minorities.

AP - Albany

Planes pound Tamil base

Sri Lankan forces launched air, naval and artillery attacks on a key base of the Tamil Tiger rebels in the jungles of the north-east. "Air force pilots have reported direct hits on targets," an official said. "Ground troops monitoring rebel radio transmissions say the rebels are asking for reinforcements."

Reuters - Colombo

Xinjiang attack reported

A Uighur exile group in Kazakhstan said Uighur separatists in China's turbulent north-west province of Xinjiang had carried out a bomb attack against a Chinese military installation. A spokesman said buildings were damaged but did not know whether there were any casualties. He said his own organisation was not responsible for the attack.

Reuter - Almaty

Bride gets short shrift

Security officers barred a bride from wedding at a Zimbabwe civil court, saying her short skirt was not decent enough as required by court rules. The groom was arrested and fined for arguing with policemen and trying to force his way into the building.

Reuters - Harare

Flat feeling

Flat-dwellers who flock to Ikea to buy furniture soon may be able to get their apartments there, too. Ikea and the Skanska group have begun a project to build cheap flats, for purchase or rent, at a cost of no more than 3,000 kronor (£240) a month, about 25 per cent lower than the usual cost.

AP - Stockholm

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Missilegate: Is this conspiracy or hoax?

John Lichtfield
Paris

And now, Missilegate. A top-secret, and officially banned, United States navy "chainsaw" missile accidentally destroyed a TWA jumbo jet and 230 people off Long Island last July, a report claimed yesterday.

The US government has covered up its involvement, from a mixture of embarrassment and determination to preserve the secrecy of the weapon, according to Pierre Salinger, journalist, former spokesman for President John F Kennedy and leader of a freelance investigating team.

Mr Salinger told a press conference in Paris yesterday that his group of ten experts, including several government officials, had reached these conclusions on the mysterious fate of flight TWA800 with "very great certainty".

But the FBI, which was given the Salinger report four days ago, dismissed its findings as a "cruel hoax". There was no clear evidence that a missile destroyed the plane, the FBI said, although this remained one of three possibilities. The other two were a terrorist bombing or a mechanical malfunction.

Mr Salinger has been preoccupied by the unexplained destruction of the New York to Paris flight since he saw allegations of an accidental missile strike on the Internet. He called yesterday on the US Defense Secretary, William Cohen, to order an official investigation into the af-



Pierre Salinger with newsmen yesterday (left); and a photo of the alleged missile Photographs: Reuters/AP

fair, which he dubbed "Missilegate".

The report, co-ordinated by Mr Salinger through the Internet, says TWA800 was "destroyed by accident... by a US navy missile which mistook its target".

This missile—probably a top-secret kinetic-energy or chain-saw missile containing no explosive warhead—was fired either from a submarine or from a missile ship engaged in secret military exercises, the report said.

Mr Salinger produced stills of a video recording of radar screens taken at JFK Airport that night

which, he claimed, showed a "missile heading towards the TWA plane". The Pentagon insists that no missile has been fired in the area for two years but Mr Salinger said 154 witnesses on Long Island saw one or two missiles in the air that night. He said he had also been contacted by a man with a son in the US Navy. The man said his son had told him: "Dad, we destroyed the plane."

The video stills of the alleged radar traces of the missile appeared in *Paris-Match* magazine yesterday and Mr Salinger said the proceeds from the publication of

the photograph would go to the families of the TWA800 victims.

Families of French victims of the disaster decided at the weekend to begin a civil action against an unknown culprit in the French courts. This is likely to bring about a judicial investigation.

A chain-saw or kinetic-energy or continuous rod missile is a fearsome weapon, officially banned by international treaty. It contains no warhead as such and, in flight, resembles a huge rod of metal. When it finds its target it blasts straight through and would tear an aircraft to pieces.



Reading between the lines: A Parisian examining the radar screen pictures in *Paris-Match*

Photograph: AP

Miners' victory parade mocks Kohl's feeble posturing

Imre Karacs
Bonn

Thousands of miners rode into Bonn yesterday for an impromptu victory procession, honking their horns and holding two fingers aloft in salute of the government offices along

the route. Policemen and on-lookers lining the road greeted the bikers with Mexican waves.

After almost a week of protests, Chancellor Helmut Kohl and union leaders reached a compromise yesterday on the future of the coal industry. There will be no mass reduc-

dancies, but by 2005 the number of people employed in the pits will be cut by half. Over the next eight years, about 48,000 miners will be made redundant; they could not possibly refuse, including lavishly-funded early retirement, retraining and unspecified make-work schemes.

To soften the immediate impact of the programme, the government agreed to close only one pit between now and the year 2000, and another three or four by 2005. Currently, there are 18 working collieries in Saarland and the Ruhr. "The fight was worth it," declared

Hans Berger, the leader of the miners' trade union, who had shouted himself hoarse over the last week. The government also appeared reasonably satisfied with the deal. "We have ensured the survival of the mining industry in a way that is economically acceptable," said Friedrich Bohl, Mr Kohl's right-hand man in the chancellery. "We have ensured that changes in the mining industry can be carried out in a way that avoids mass layoffs."

Last year, the government paid DM10bn (£3.7bn) in subsidies to German coal, which

costs two-and-a-half times the world market price. Total coal subsidies, including contributions from the region of North Rhine-Westphalia, will be cut to DM5.5bn over the next eight years.

This figure, however, does not include the sums the government has discovered since thousands of miners pitched up tents in Bonn earlier in the week. Now the state coffers are miraculously flush with money. About DM300m a year extra will pour into the pits to persuade miners that a career change would be in their interest.

As a result, the taxpayers' contribution to coal-mining will actually rise next year.

The agreement was hammered out overnight by union negotiators and chancellery officials, who stayed up till 5am haggling over the details. After Tuesday's debacle, when Mr Kohl cancelled his meeting with the union at short notice, the opposition Social Democrats stepped in to mediate.

The basic compromise—postponing pit closures beyond 2000—was arrived at during a meeting on Wednesday between the deputy leaders of the

two biggest parties: Wolfgang Schäuble of the Christian Democrats and Rudolf Scharping of the SPD.

The SPD's key role in defusing the tension offers an unflattering contrast to Mr Kohl's feeble posturing of the past few days. Once again, the Chancellor has demonstrated he no longer has the authority to govern alone. After yesterday's agreement, the Social Democrats announced they would resume talks with Mr Kohl, ostensibly about tax reforms, but in reality about some form of grand coalition.

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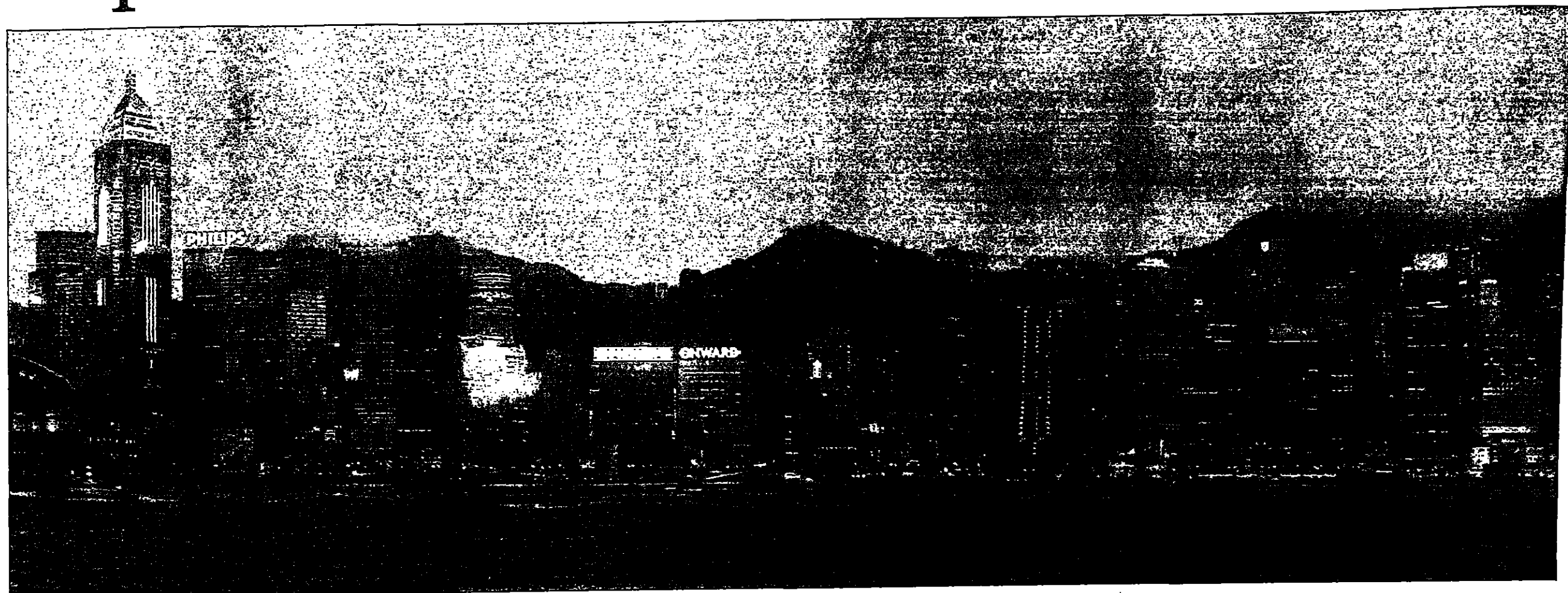
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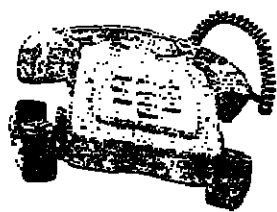
The transformation of Hong Kong: When the photograph on the right was taken in 1912, Chinese were second-class citizens in their own territory. They were not even allowed to live on the desirable Peak. Now the British are almost irrelevant. Paradoxically, the handover to China in three months' time is set to be an occasion for mixed emotions. Hong Kong is flourishing. Its skyline changes constantly, with an energy that seems the essence of the territory itself. This is a city of extraordinary vibrancy, where billions are made and lost. The future under Chinese rule is confused, at best. But Hong Kong seems unlikely to lose the identity that it has forged.



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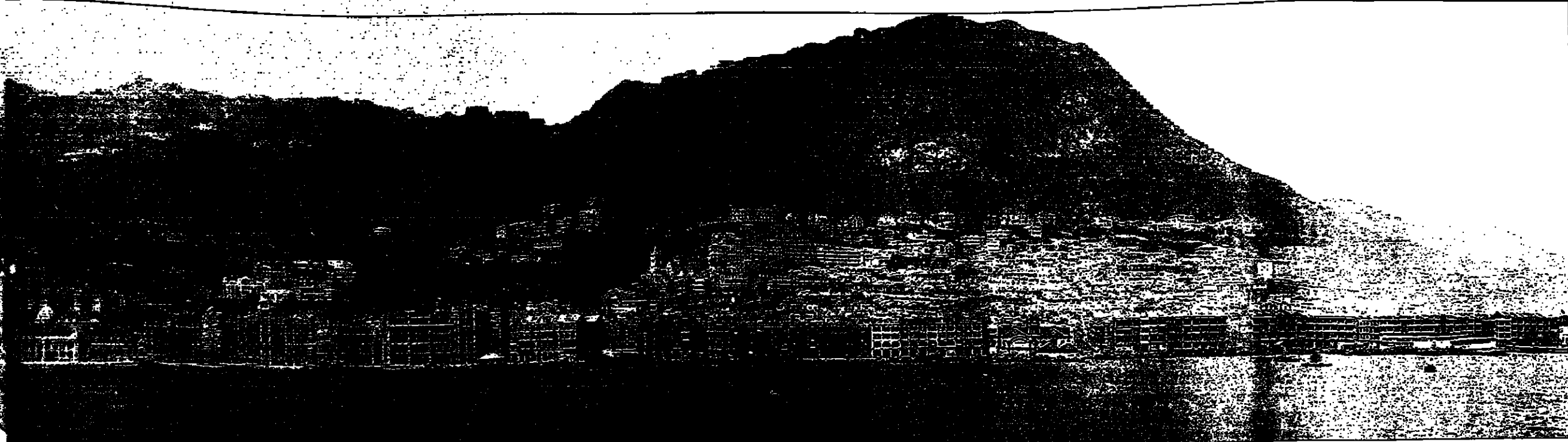
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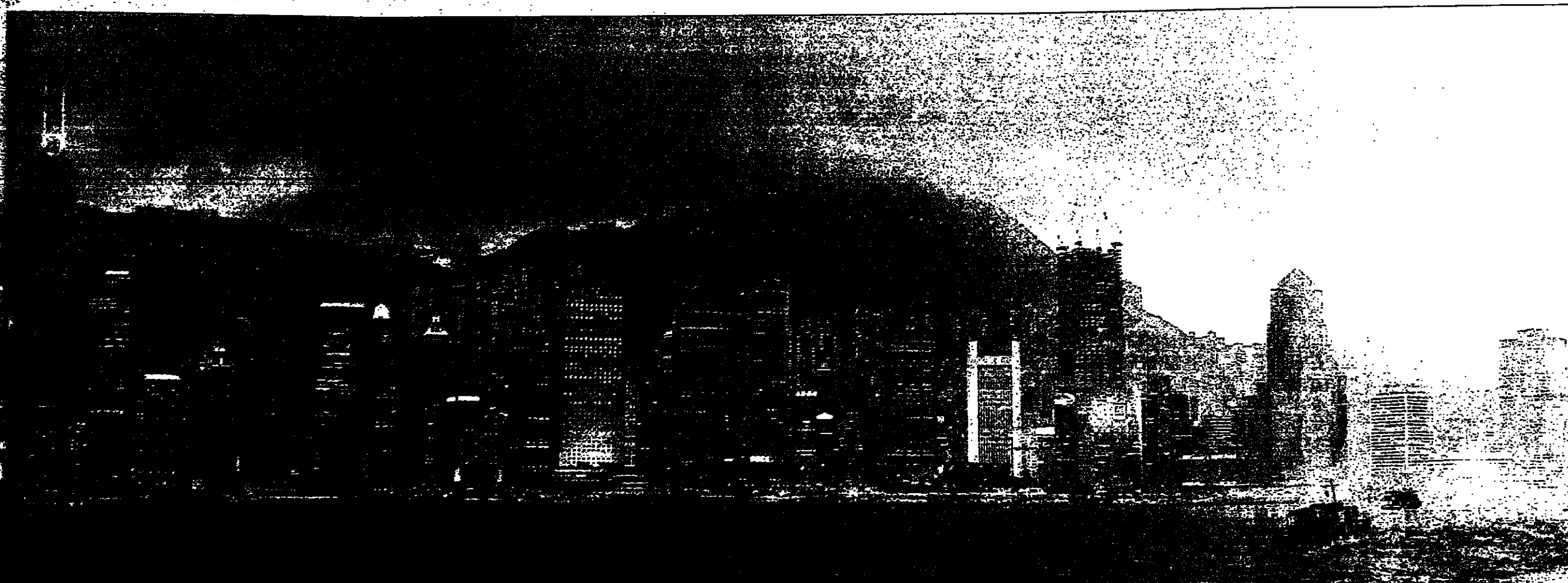
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ont Asia across a century of colonial history



Jojo Moyes
Hong Kong

Wherever you are in Hong Kong, at whatever time of the day or night, you are likely to hear one sound: drilling. The city has an estimated 4,000 building projects in progress at any one time, and as the tower blocks nestle ever closer together, its profile is not just changing upwards but outwards.

Hong Kong, with a population of 6.2 million, needs to house nearly two million extra people within the next 15 years. The Government is bracing itself for an extra 55,000 mainland immigrants annually and the 100,000 Chinese who will be eligible to live there following the handover. Many more Hong Kong Chinese are returning, pushing up demand in the private sector, while astronomical property prices have created a waiting list of nearly 150,000 for public housing. In response, the Government plans to build 400,000 flats a year for the next five years, but it needs an estimated 3,000 hectares of land on which to build.

In a territory that is no more than two hours travelling distance from any two points, and in which most people's windows already look into someone else's windows, something has to give. And that something is the sea. Hong Kong's biggest reclamation project is the new Chek Lap Kok airport, where in an awe-inspiring feat, a mountainous island was levelled and reshaped into 1,248 hectares of flat land.

But the South China Sea is having to beat a retreat elsewhere – most notably in its famous "fragrant" harbour. On Hong Kong island, a major reclamation programme began a year ago to create 123 hectares of land

for commercial and infrastructure purposes, which is slowly but inexorably bringing Hong Kong and Kowloon closer together.

This has elicited protest from, among others, one of Hong Kong's few preservation societies – the Society for The Protection Of The Harbour, which says its "unique and irreplaceable public asset" should be preserved. It raised a petition of 148,000 signatures opposing the project, citing concerns about safety if the already crowded waters are narrowed further.

But the most vocal opposition has come from environmental protesters, who say that Hong Kong's development fever is getting out of control, and that the eventual effect on the territory could be catastrophic.

Lisa Hopkinson of Hong Kong's Friends of the Earth says the dredging and dumping involved in reclaiming large areas of land is destroying marine life. "They take up the layer of soft mud which is highly toxic and move it to a site near the new airport which is right next to a marine park," she says. The marine park was built to protect the Chinese White Dolphin – whose numbers are rapidly depleting because of pollution.

As well as making Hong Kong's already polluted waters even more poisonous (few of the territory's inhabitants would eat seafood they knew to be local) the dredging of sand from the bottom of the sea bed for "fill" is also problematic, she says. "There's lots of it coming down from China – we don't know whether it's toxic, or where it's coming from." Much of the damage, she says, has already been done, with corals destroyed on the relatively clear eastern waters, and the depletion of fish stocks and nursery grounds and the few remaining areas where sea birds roost and nest.

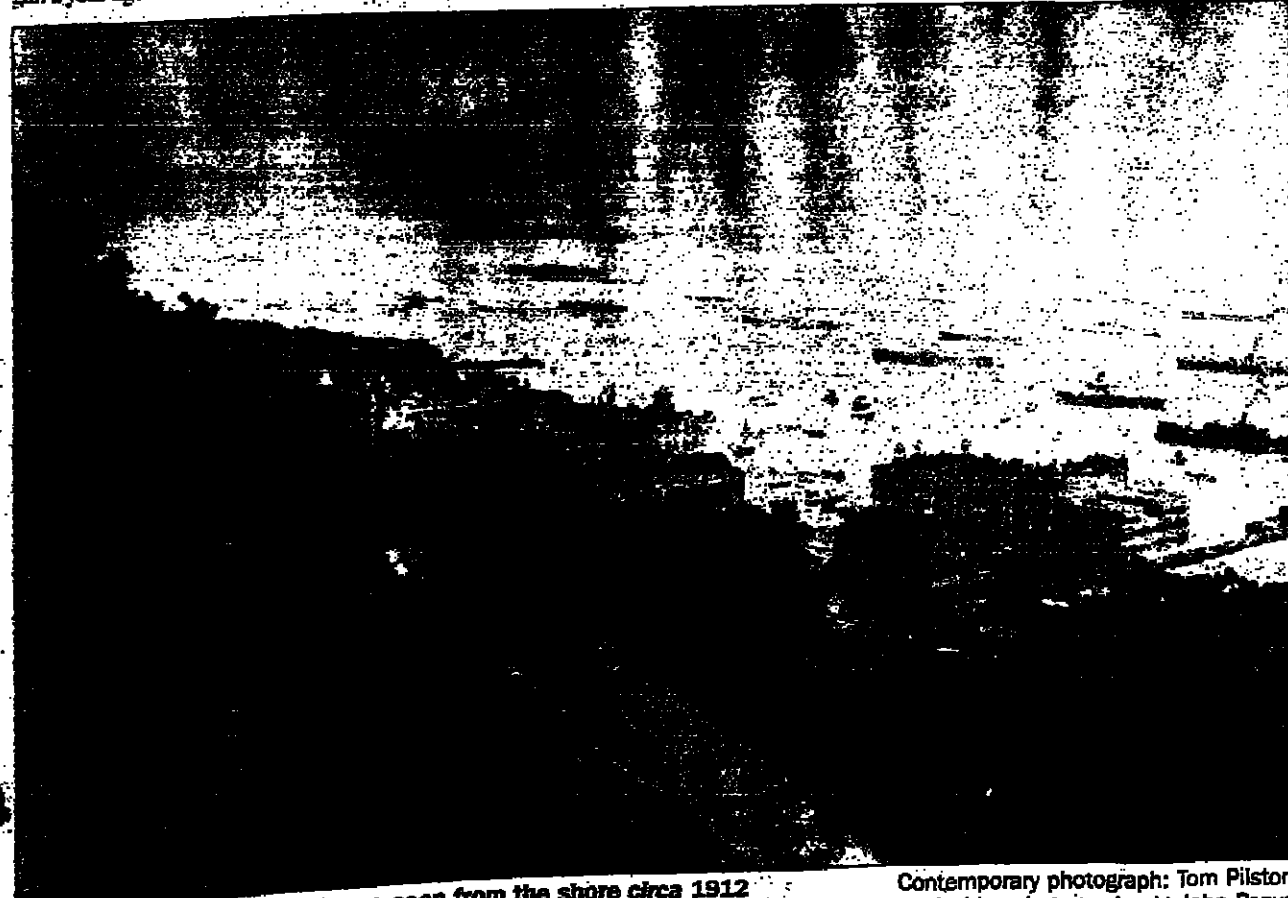
Hong Kong's Governmental Environmental Impact Agency makes recommendations for all major projects, but Ms Hopkinson says they are often ignored as there are no enforcement mechanisms in place. "We're not against reclamation in general," Ms Hopkinson said. "But we're questioning the need for it. The Government says there's an urgent housing problem but if you look at the land use breakdown, the amount sidelined for housing is only around 5 per cent."

Ms Hopkinson accuses the Government of "wringing their hands" and so Friends of the Earth have sent a position paper to the chief executive-designate, Tung Chee-hwa, asking to discuss the long-term sustainability of Hong Kong's development.

"We're very concerned that the Government's Territorial Development Strategy – is basically going to result in the severe degradation of environmental quality. Hong Kong will end up with a highly polluted harbour bringing more traffic, noise and air quality problems in populated areas."

She adds: "We've projected until 2047 and looked at ideas to show how it could become more sustainable, even if the population increases to 10 million. We're trying to get the Government to think about these things differently."

As yet there has been no formal response. Meanwhile, it emerged yesterday that the Government is expected to reap windfall land revenues on the back of more than HK\$34 billion (£2.7bn) in premiums paid by developers – thought to be the highest for a single fiscal year. Noise pollution complaints are up 800 per cent since 1991. And across Hong Kong the drills keep drilling.



See view: Hong Kong harbour as seen from the shore circa 1912

Contemporary photograph: Tom Pilsto
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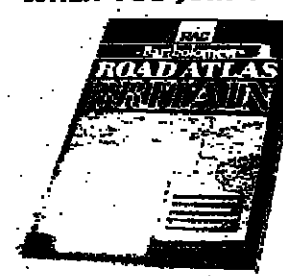
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The armed forces don't need a uniform sexuality

"I am not a homophobe, but I think gays are a freak of nature," says one of the Tory-voting guests in *The Dinner Party*, a television documentary to be screened soon. This is a new variation on the theme of "I am not a racist, but..." and "I am not a sexist, but..." Prejudice is still abroad in this country although it is, fortunately, not respectable. Hence the shock value of Channel 4's latest documentary foray. The last bastion of respectable prejudice, however, is the armed forces. A fellow *Dinner Party* diner contributes to the debate: "We don't want effing queers in the Army." This was perhaps rather crudely expressed, but Government ministers still feel able to express the same sentiments in the House of Commons. Nicholas Soames, the Armed Forces Minister, would not publicly urge women to get back to the kitchen or the Prime Minister to play the race card in the coming election. But he will say, as he did yesterday: "The Government supports the armed forces in their wish to maintain a ban on homosexuality in the services. Homosexuality is not compatible with the trust that must exist between comrades in arms."

Strasbourg, as contrary to the European Convention on Human Rights, which is separate from the EU. Mr Soames's determination to fight the Perkins case, referred to Luxembourg by the High Court yesterday, is synthetic. "I fear that Labour, if elected, would give up the case," he went on.

Tony Blair, too, has been guilty of unattractive pre-election posturing on this issue. Last May, he, his deputy John Prescott, his moral commissar David Blunkett, and his defence spokesman David Clark, all abstained in a Commons vote to lift the ban on gays in the military. Pretty it was not. Understandable, in the light of Bill Clinton's experience with this issue on coming to office. Understandable, in view of the depths to which Mr Soames showed the Tories were prepared to sink. But not at all appealing.

The question is whether discrimination on grounds of race, sex or sexuality is justified in any of the uniformed services. The answer is no. Twenty years after the Sex Discrimination Act and the European Equal Treatment Directive, this should not be controversial. And yet this Government has shown itself willing to pay out large sums of money on behalf of the armed forces and the police in hopeless defence of their right to discriminate against women and homosexuals. Police forces have recently been found by the courts to have failed to control sexual harassment of women

officers, and the Strasbourg court will rule on Alison Halford's case over discrimination in promotion on Monday.

Why is it that uniformed services think they operate by different laws? All the arguments fall apart under close scrutiny. The distinguishing feature of these services is the requirement for discipline and teamwork in acutely stressful situations. Mr Soames's choice of terms goes to the heart of the discrimination case: "trust" and "comrades in arms". The case is that you cannot have the essential bonding, the camaraderie, that will survive under fire or in a riot, unless you have a homogenous group of

white straight men. But it is a difficult case to spell out, as MPs found when they tried to look at it in the Armed Forces Committee last year. Much nonsense was talked about people having to live in "close proximity" to each other, about showers and sleeping arrangements.

This is all about sex and symbolism and things people find difficult to talk about. But open discussion is needed, because it will help both the armed forces and the public at large confront their irrational fears. Many service chiefs used to be instinctively hostile to women in combat roles in the armed forces, but if they were made to talk

about it came round to the idea. We suspect that the same would apply to the issue of homosexuals.

Homophobia runs deep in wider society, but there is also a countervailing liberal tendency of which this country should be proud, of tolerating what other people get up to in private. Open discussion would help the second overcome the first. Of course, there have to be rules about what people get up to in private in uniformed services, as there are, in fact, in most organisations, written or unwritten. Sexual conduct does matter, especially when bosses and subordinates have affairs: discipline and team loyalty can be undermined, and sexual tension creates uncertainties that can devastate proper working relationships. But sensible rules about sexual shenanigans apply equally to everyone.

Finally, the nonsense about "effectiveness". It is a code for virility, and while there is a role for controlled aggression in the police and the armed forces (and almost any other job), there is no reason why women or gay men are not able to show it. True, women are not so interested in zapping aliens in computer games, but many excel at the team skills of running operations centres and making fast decisions which matter as much or more in real war, or running a crime-breaking operation.

For the police, certainly, effectiveness must depend to an extent on the force's connectedness with the society it exists

to serve. How many miscarriages of justice would have been avoided if the social base of police forces had been broader, if the pool of talent on which they could draw had been deeper? That is the principal argument in favour of open recruitment. And it ought to go without saying that it is unhealthy for the armed forces, like the police, to be unrepresentative of the society they exist to defend. In a democracy, socially representative uniformed forces are an important guarantor of everyone's security.

The Lady's right behind you, John

Baroness Thatcher will be working "flat out" in the election campaign to support the Prime Minister, a spokesman for her office said yesterday. Why Lady Thatcher thought a denial was needed is a mystery. First this week she was accused of backing Michael Portillo in the undeclared Conservative leadership campaign. Then it was alleged that she thought Tony Blair was a decent chap who "won't let Britain down". What preposterous ideas! Mr Portillo is a One Nation Tory who wants to subsidise the royal yacht. And Mr Blair has made his distaste for Lady Thatcher's firm style of leadership absolutely plain. She should replace her spokesman forthwith.

LETTERS TO THE EDITOR

Care rules for the old favour spendthrifts

Sir: Your leading article of 11 March fails to address a crucial issue - the perverse incentives resulting from the existing arrangements for paying for long-term care of the old.

If I have worked hard and been careful with my money throughout my working life, and if I have saved and invested in my own home, then when I become old and frail or struck down by Alzheimer's, the state will expect me to sell my house to pay for long-term residential care. But if I have been idle and squandered my money, and if I have not planned for the future but lived for the present, then the state will happily pay in full for my long-term care.

You refer to the estimated £200m a year that the proposed scheme may cost. What you ignore is that a pensioner living in their own home who has paid off their mortgage before retirement will not be a burden on the state beyond their basic pension. But the pensioner still renting their home will need the state to pay housing costs for perhaps 20 or 30 years of healthy retirement. This represents a far higher burden on the taxpayer than that resulting from Stephen Dorrell's proposals. MARCUS YOUNG Ely, Cambridgeshire

Sir: Thank you for your leading article. What a relief! My reaction to Mr Dorrell's plans had prompted the terrible thought, "If I am the only one who thinks that, am I already marching towards dementia?"

My house is my insurance against future need. My children have a clear choice. Either they can help to look after me if I become unable to do it for myself and inherit their reward, or I can pay someone else to do it and leave a little behind. For a government supposed to believe in family values, encouraging them to opt out of family responsibilities and also to have expectations of something for nothing, seems a bit rich. BETTY PERKY Chelmsford, Essex

Sir: No congratulations for your leading article of 11 March. Its comments are directed at a relatively well-off class of homeowners. Many homeowners are relatively poor, having struggled for years not for an investment but to keep a roof over their heads and their children, and to create not a "nest egg" but a beloved nest. The culminating tragedy for them is being forced out of their homes by the absence of adequate, affordable home-care which would allow them to remain in them.

Throughout the piece the word "house" is used almost exclusively in the brutal sense of an asset. A house can indeed be bought and sold, but a home can only be created with love and care, and it is the loss of this which is the real injustice and the cause of so much pain and unhappiness. Mrs SHEILA MANN Leeds

Tortoise and hare

Sir: Your supplement on primary school league tables was illuminating. Who would have thought that among Bolton schools, Top-of-the-Brow would have been beaten by Plodder Lane? JONATHAN RIPLEY Tonbridge, Kent



Parties rescued a VAT absurdity

Sir: How exquisitely timed your leading article "The main parties need a deeper shade of green" is (12 March). On your news pages you report a heavy defeat for a backbench amendment to the Finance Bill, an amendment that would have - in the words of former Chancellor Norman Lamont in his 1993 Budget speech - removed "an anomaly which makes a nonsense of any attempt to use the tax system to assist the environment".

The anomaly in question is the patent absurdity of charging VAT on energy conservation materials at 17.5 per cent whilst levying it at 8 per cent on energy consumption. What is so depressing is that both Conservative and Labour front benches colluded to stop this distortion being rectified. ANDREW WARREN Director, Association for the Conservation of Energy London N1

Sir: Your leading article was a welcome challenge to the mainstream grey parties to address the real problems afflicting us today. But what a pity that you continue to propagate the myth that the Green Party is a "single issue" party.

The Greens recognise that a healthy environment, economic and social justice, and a true democracy are interconnected. This is why we advocate a phased restructuring of the taxation system to shift the burden from labour to pollution and resource use; a basic income scheme for all, demolishing the poverty trap; and a

strengthening of democracy and personal freedom through such measures as proportional representation, a Freedom of Information Act and a Bill of Rights. Hardly single issue!

I suggest that it is the grey parties who are "single issue". Their damaging reliance on "economic growth" as a solution to all ills will inevitably perpetuate a widening gap between rich and poor, greater environmental destruction and ultimately a lower quality of life. DAVID CROMWELL Southampton Green Party

Attlee was a true socialist

Sir: Some facts about the Attlee family show a rather different picture from that given by Kate Watson-Smyth ("Attlee was really a Tory, says his daughter-in-law", 7 March).

Clement Attlee's father had been a Liberal supporter. Clem was introduced to socialism by his brother Tom, who had preceded him to the East End of London. The two brothers worked together there from 1907 and had the sympathy of their sisters, Mary and Margaret.

Tom was a life-long member of the Labour Party; his son Christopher stood as a Labour candidate in 1951, 1955 and 1959 and his granddaughter Catherine in 1992. Other members of the family have been Labour councillors. Clem was not a lone

Murdoch and digital television

Sir: Polly Toynbee's article about digital terrestrial television and the BBC ("A naive fish in very dangerous waters", 10 March) was full of misconceptions. Here are four.

1. To suggest that switching off analogue ten or more years hence is some drastic event is nonsense. This will only happen if by then the vast majority of the public have chosen to buy digital televisions when replacing current televisions. In the meantime analogue televisions will continue to receive existing channels for years to come.

2. It is wrong to claim that everyone will "have to buy into the digital age with a new black box": digital television sets will also be available. Neither set-top boxes nor digital televisions will be controlled by one private company as the article suggests. Both of them will be manufactured by many different companies and both will make the free digital services available to viewers as well as subscription channels. And, in the digital age, access for subscription services will be rigorously regulated.

3. Her claim that "Murdoch" will control digital television is mistaken. "Murdoch" does not own BSkyB. BSkyB does not control British Digital Broadcasting. It has one third of the venture along with Carlton and Granada.

4. British Digital Broadcasting does not propose to use "Murdoch's terrestrial box". We will support a separate box serving our own customers with our own independent subscriber management service and smart card. To avoid confusing customers, this box will also be able to receive digital satellite as well as digital terrestrial channels. This is a good thing. NIGEL WALMSLEY Director British Digital Broadcasting London SW1

A community unable to care

Sir: The case of Martin Mursell ("Professional failures that led to a family tragedy", 8 March) shows for a lie this government's rhetoric about "care in the community", because the community does not care. This is not because the community is uncaring, but because the Government has stretched the resources of health authorities, social services and housing services to the point where they cannot dedicate sufficient time to each case nor co-ordinate

their efforts so as to ensure that no gaps are left through which the least fortunate may fall.

I was in the same psychiatric hospital unit as Martin Mursell, although not at the same time, and upon my release I came to terms with my mental health disability with only the help of loving and supportive friends and the sympathetic reaction of neighbours and employers. These people are representative of the community at large, but the official community services were no help at all, despite the obvious and sincere goodwill of the beleaguered practitioners who struggle to help those in need. EAMONN O'TERNEY London N1

If you lowered the level of discussion on your sports or business or arts pages so that they could be understood by those absolutely ignorant of such matters, you would rapidly lose custom. Why not raise your treatment of mathematics and statistics to recognise that many readers can appreciate averages and square roots when they see them? NICHOLAS COX Department of Geography University of Durham

They deserve Dawkins diatribe

Sir: Some of your correspondents (Letters, 11, 13 March) have clearly been annoyed by Richard Dawkins's intemperate diatribe (8 March) against woolly thinking in the name of religion (or anything else). I could understand their annoyance if Professor Dawkins had expressed himself contemptuously of people merely for possessing religious faith, but I do not think he did.

Actually, we are not entitled to be just a little bit contemptuous of people, however eminent in their own fields, who allow themselves to be inveigled into pontificating in public about something they know very little about. Especially if it involves telling other people, some of whom may have studied and thought quite hard about the issue, how to behave? Professor T J PEDLEY Gonville and Caius College, Cambridge

Sir: As a scientific officer working in the public domain I must acknowledge the Rev Ian Kenway's assertion (Letter, 11 March) that I bear a responsibility to account for my activities.

I certainly would not wish to pontificate on questions of the philosophy of science or the writings of C P Snow, since I have had formal training in neither. However subscribing to an ancient, ill-defined and shifting set of metaphysical values (insert the progressive religion of your choice) or a set of ancient immutable dogmatic misconceptions (insert the fundamentalist religion of your choice) does not qualify one for such a task either.

My understanding of Professor Dawkins's argument was that there is a media circus that feels obliged to recruit not one, but several spokesmen for the many cults and religions that clutter our modern culture. The consequence is that the transmission of clear, testable scientific information is obscured by sheer weight of numbers. It seems to me entirely appropriate that an individual like Professor Dawkins, charged with the responsibility of enhancing the public understanding of science, should highlight this folly. G R TAYLOR PhD MRCPsych Leeds

Lunar irony

Sir: At about the time we received pictures of the Moon landings, a story was running about a woman aged over 60 in South Africa who had given birth to a baby.

I was working in a London hospital and on the ward was an older nursing auxiliary, unable to have children, who firmly rejected the former story as a scam "all done with mirrors" and ardently believed in the latter, as it gave her hope. We nurses, who knew better, scoffed. Ironically, that since then, doubt has been cast on those pictures (Letters, 7, 13 March) and a woman in her 60s has had a baby. All these years later, I feel I owe her an apology. KATE DAVIDSON Chertsey, Surrey

Eurofudge

Sir: At last, some good news from Europe! "Bundesbank admits EMU fudge possible" (headline, 12 March). Can you tell us where it will be on sale and whether it will be subject to VAT and guaranteed free from salmonella? GEOFFREY HEATH High Wycombe, Buckinghamshire

analysis

It may yet go down as one of the shortest-lived governments in history. Yesterday at noon, Bashkim Fino was sworn in as Albania's new prime minister at the head of an emergency all-party administration; but even before his team of ministers had officially taken office, their authority had disintegrated into dust.

Outside in the streets of Tirana, gangs of young men were looting army weapons depots and embarking on a rampage of plunder and terror. Automatic gunfire rang out across the city, bringing the armed rebellion that has swept across the country closer to its inexorable conclusion: the overthrow of all remaining state authority and the ousting of President Sali Berisha.

The mob paid no heed to the new government's call to order, no heed to the Albanian intellectuals begging them to lay down their arms, no heed even to their own provisional commanders, who have tried to impose order in the southern strongholds they have seized over the past week. Instead, they pushed Albania further into anarchy. Mr Fino remarked as he took over his meaningless new mantle of power: "God save us. God save Albania."

The events of the past few weeks - from the collapse of Albania's fraudulent "pyramid" investment schemes, to riots, to armed insurrection teetering on the brink of civil war - have come as a shock to an outside world that had given little thought to this most remote and mysterious of European countries. Mostly, Albania had not featured on the radar screens of Western governments: to the extent that it had, it was vaguely assumed to be doing a reasonable job of emerging from 50 years of totalitarian nightmare into the democratic light of day.

A state of political, social and economic collapse is hardly the ideal circumstance for Western policy-makers to play a rapid game of catch-up. Indeed, to match the confusion of the situation in Albania itself, there has been an extraordinary plethora of interpretations in the media, ranging from the cautious to the downright barmy. Perhaps most extraordinary is the highly polarised and personalised ideological battle being waged on the pages of British and American newspapers between rival camps of academic specialists on the Balkans. Reading the competing dispatches in this battle is



Shadowed by anarchy: as authority collapses, shocked Western commentators argue with each other about the causes of the crisis

Photograph: Alex Majoli/Magnum

'God save us. God save Albania'

While armed mobs roam the streets of Tirana, uncontrolled even by the insurrection's leaders, confusion and conflict reigns among Western analysts and policy-makers, says Andrew Gumbel

depressing, partly because it reveals the limited vision of many of the players, but mostly because it makes the job of understanding Albania 10 times harder.

Broadly speaking, there are two schools of thought on the origins of the present crisis. The first, mistakenly referred to by its detractors as the "left-wing" view but shared in most particulars by independent analysts, including this newspaper, is that President Berisha hoodwinked the world into believing he was a democrat while evolving into a dangerous despot.

Political repression went hand-in-hand with rampant state corruption and a flourishing of crime rackets that were not only tolerated, but to a large degree also organised by the ruling order. The president tried to buy his people's support with the

pyramid investment schemes, which in turn were propped up by the profits from the illegal arms and drugs traffic. When the schemes collapsed, popular anger at the regime knew no bounds, and, in short order, army depots were looted, popular revolutionary councils sprang up and the march on Tirana became unstoppable.

The other view, espoused until recently by Western embassies and still championed by a small group of Thatcherite ideologists and right-wing newspapers, is that Mr Berisha is a much-misunderstood man, a

true democrat struggling to pull Albania away from its heritage of Stalinist isolationism but beset by the powerful forces of the past operating through the mafia and the main opposition party, the Socialists. Reports of electoral fraud were exaggerated by Communist propaganda, as were allegations of government collusion in organised crime. The pyramid schemes were an unfortunate side-effect of free-market capitalism, and their existence a sign of the weakness of the government's hold on Albanian society, not its authoritarian strength. The armed insurrection has nothing to do with popular anger but was deliberately stirred up and organised by criminals backed by the Socialist party.

Much of the debate surrounding these diametrically opposed positions has been marred by conspiratorial thinking, the more polarised writers on the left tending to credit President Berisha with an evil omnipotence, and the right doing exactly the same thing with the Socialist-led opposition. Worse still, some British writers have taken to accusing each other of fomenting anarchy in Albania. The Sunday Telegraph ran a headline this

week that read: "The media back the Communists - as usual". Two of the Albanian specialists specifically attacked in the accompanying piece, James Pettifer and Miranda Vickers, promptly threw a slew of accusations back at the author, Anthony Daniels, some of which found their way into *The Guardian* on Monday.

Clearly, the debate should be focused on Albania itself, not on the various axes being ground around academic corridors. There was undoubtedly a terrible misreading of Albania by Western governments after the fall of Communism in 1990-91. The World Bank went so far as to characterise Albania as a "small haven of peace and economic growth" - a phrase that must be haunting the authors of the report in which it appeared. President Berisha and his government were showered with development aid as a reward for maintaining stability in their corner of an otherwise turbulent Balkans. And they were widely praised for liberalising the economy at great speed, opening the country to foreign markets, containing inflation

and stabilising the currency.

But while the West felt its own interests were being well looked after, the regime was becoming increasingly autocratic, showing ever scantier respect for the institutions of the state, conducting purges of public officials, especially in the judiciary, denying the opposition and the independent press their fundamental rights, as guaranteed under the constitution, and alienating many of its supporters, who either switched to the opposition or left the country.

Economically, all was not well either. It is true that the country recovered rapidly from the post-Communist collapse of 1991-92, eradicating chronic food shortages with help from the Italian army and opening the Albanian market to a welter of Western consumer goods. It is also true that, with the help of the IMF and other organisations, the lek was stabilised and inflation brought under control. But the nature of Albania's economic growth was suspect from a very early stage. The bulk of its legitimate income derived not from production, but from remittances sent home by Albanians working

abroad (estimated at up to \$500m a year) and foreign aid. Serious foreign investment failed to get off the ground because of the clientelistic nature of the government, which appeared reluctant to relinquish control over any area of economic life.

A far greater revenue source, meanwhile, was the black economy, and especially organised crime. Albania is a major conduit for the smuggling of arms and drugs, and during the war in Bosnia it was used for the transit of petrol to Serbia and Montenegro, in contravention of UN sanctions. The port of Vlora has lived handsomely for the past two years on the transport of illegal immigrants from the Balkans and Asia across the Adriatic to Italy. Western intelligence officials believe that this criminal revenue is at the origin of the pyramid investment schemes and helped to keep them going far longer than mathematical logic would dictate.

Foreign governments began to express concern about these issues only in the wake of the May 1996 elections, which were boycotted in midstream by the opposition and denounced as invalid by the Organisation for Co-operation and Security in Europe and others because of widespread vote-rigging and intimidation. Two days after the first round of voting, the diplomatic community and the world's media had ringside seats

on the balcony of the Tirana International hotel as police brutally broke up an opposition demonstration just outside in Skanderbeg Square, beating a number of prominent opposition leaders and hauling them off into custody for several hours.

The reaction to such blatantly undemocratic behaviour was hardly instantaneous. Indeed, European countries went ahead and recognised the new parliament, arguing that it was better to exert gentle pressure on Mr Berisha than risk alienating him through noisy protest. As a result, the ruling Democratic Party reckoned it had got away scot-free and felt bold enough to cock a snook at both the US, which called for the elections to be held again, and the IMF, which suspended its credit programme because of the government's refusal to close down the pyramid schemes.

The tragedy that has unfolded since the collapse of the schemes has shown up not only the strength of popular feeling against the government, but also the inability of anybody to control the forces that have been unleashed by the uprising. Anyone who has been to the chaotic south of Albania, where the revolt has been in full swing for more than a week, knows that accusations of Communist-inspired plots to overthrow the state are preposterous, just as anyone currently in Tirana would laugh at the notion that Mr Berisha is some kind of all-powerful evil genius manipulating the whole thing for his own purposes.

And yet these are the sorts of analyses finding their way into serious newspapers. On Tuesday, *The Wall Street Journal* published a leading article breathtaking for its sheer ignorance and ideological incoherence. It asserted there were "no credible claims of ballot-box stuffing" at last May's elections, even though the OSCE reported them to them clearly. And it described Mr Berisha as a medical man, "not a Communist apparatchik", even though he was a secretary of the old Party of Labour for more than 20 years and served as a cardiologist in Enver Hoxha's jealously guarded inner circle.

Admittedly, the Oxford group of Thatcherite academics is rather more intelligent in its analyses. Mark Almond, a lecturer in Balkan history, is no doubt right to argue that the Albanian government has become weaker in the country, and right to warn of the dangers of a Socialist party takeover without democratic guarantees.

But the ability of Mr Berisha's Western admirers to absolve their hero of all blame for the Albanian disaster is uncanny. Mr Berisha has been described as "the last Thatcherite" - adored for ideological reasons by a clutch of right-wing thinkers. Unfortunately, much of the adulation heaped upon him has been offered unthinkingly and irresponsibly. It is time for the apologists to swallow their pride and admit they were wrong, for the sake of a clear-eyed understanding of what can be done to help Albania.

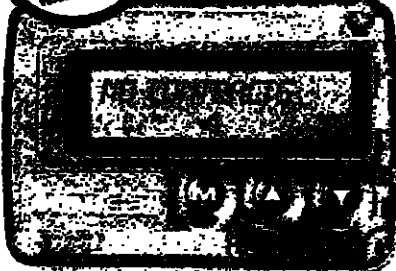
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Mr Howard and the incredible prison hulk

As Mr Michael Howard continues in his bid to put all potential voters behind bars before the election, it turns out that he has already occupied all available space on land. So Mr Howard has imported a floating prison from America to be moored off Portsmouth and help to absorb our surplus prison population. It seems likely that this will involve Mr Michael Howard in further legal problems, and further clashes with the judiciary, so to explain all the legal niceties of this new move by Mr Michael Howard, I have secured the services of Julius Martello QC, an expert both on marine law and megalo-mania, to answer some of your questions on this exciting new development in Britain's naval heritage.

It seems to me that Mr Howard is just taking us back to the grim Victorian days of the floating hulks, and I wonder if it is in Mr Howard's mind to go even further back and start sending other prisoners overseas to serve their sentences in Australia! Julius Martello QC writes:

Very funny, I am sure, but let us be serious for a little while. A moment's thought will show you that even Mr Michael Howard would not send prisoners to Australia to carry out their sentences. This is because Australia is now a sovereign power and would not accept them. My understanding is that Mr Michael Howard is seriously considering sending our prisoners overseas to somewhere like the Falklands, or Gibraltar or ... no, that's it. To the Falklands or Gibraltar. Or maybe St Helena. There's a precedent, after all.

Won't the inhabitants be up in arms? Julius Martello QC writes: Very possibly. But as they do not have a vote in the election, I do not suppose that will worry Mr Michael Howard.

This new prison ship due to be anchored off Portsmouth, will it be subject to maritime law? Julius Martello QC writes: Undoubtedly. It will become the first prison in Britain which will be, from a legal point of view, part of our merchant navy.

Does this mean that, for instance, the governor of the



Miles Kingston

prison will be the equivalent of a ship's captain and will be empowered to marry prisoners? Julius Martello QC writes: I think it would be very unwise for a prison governor to marry a prisoner. Especially if he were married already.

No, what I meant was - oh, never mind. But one thing that springs to mind is that all sea-going vessels must have adequate emergency routines and regular life-boat drill. On the other hand, prisoners are usually left locked up in their cells for most of the day. How can these two be reconciled?

Would it not be illegal under maritime law to confine passengers to their quarters, for fear of their drowning in an emergency? Julius Martello QC writes: Normally speaking, yes. But I gather Mr Michael Howard is of the opinion that a drowned prisoner is a prisoner who will not reoffend. There is also a plan to have the prison ship surrounded by armed guards in rowing boats to prevent escape.

And to shoot anyone who does? Julius Martello QC writes: Well, I am not sure of that. But very possibly Mr Michael Howard may be of the opinion that a shot, drowned prisoner is even less likely to reoffend.

It has been forecast on all sides that the more prisoners Mr Michael Howard tries to cram into jail, the more likely there is to be some sort of explosion of anger. Now, the usual result of a prison revolt is a roof-top demonstration, but in the case of HMS Hulk, it is quite likely that the lads will take over the prison ship AND TAKE IT OUT TO SEA! Now, once they have gone past the three-mile limit,

could they not re-register the boat as an independent state and apply for membership of the United Nations?

Julius Martello QC writes: Hmm. I suppose theoretically it is possible ... although it might be construed also as piracy. So, for instance, that Mr Michael Howard himself decided to visit the floating prison. Sounds unlikely that he would visit a prison, but let's say so. Let's say that while he is on board the floating prison there is a takeover by the prisoners and the ship is taken out to sea. Let's say that the new crew of the HMS Hulk decide to have a democratic trial of Mr Michael Howard and after a fair hearing - there will, after all, be a few solicitors and barristers among the prisoners - he is condemned to walk the plank. Let's say that as Mr Michael Howard is dragged to the plank weeping and screaming and begging for the mercy he never showed anyone else ...

Sadly, that is all we have time for. But rest assured that Julius Martello QC will be back soon to answer more of your sea-faring legal questions.

Consumers are fed up with being fed Whitehall rubbish

Forget about the party politics for a moment. Douglas Hogg's weekly torment at the dispatch box, the relentless revelations of the secretiveness and incompetence at the Ministry of Agriculture, the nightly and gruesomely unromantic television images of excrement encrusted cows, reflect something much bigger: an irreversible change in culture. The discovery of Bill Swann's report on the filthy condition of the country's abattoirs was something much more important than an embarrassment for a moribund Government. It may not be too millennial to say we are now seeing, in at least one segment of national life, the beginning of a transition from an age of producerism to an age of consumerism.

It is apt to say that Swann's report was discovered over the dead body of the Ministry of Agriculture. It's all over for Maff, at least in its present form. It is pointless to rant on about the culture inbred in the only department to sponsor a single industry, or network of industries, in which civil servants and veterinary scientists pass as a matter of course to and from jobs in the department and the companies they regulate. In which a minister can say, with-out irony, as Lord Lucas, agriculture spokesman in the Lords did on Wednesday, that on food safety it proceeds on the basis of co-operation with the industry. It did not, he added, "take a big stick to it and close down everything that was unsatisfactory. Had we done so we would have closed down two thirds of the industry on day one." There is yet to be a single prosecution for hygiene breaches of the kind so brutally exposed by the Swann report. And, as Sheila McKenna, director of the Consumers' Association, said: "This is excrement and urine in your hamburger we're talking about." Nor is this the lament of a New Age foodie: remember, 20 people have died of *E coli* in Lancashire.

The Meat Hygiene Service, the agency which is at the heart of Hogg's travails, has had a short and unhappy history. The Commons Standing Committee, records of the debate when it was set up in April 1995 already read like something from a bygone age. The decision to remove the job of abattoir regulation from local authorities and hand it to a nationwide agency was opposed by Labour. But this was mainly over the one issue which dominated the proceedings of the committee: the costs to industry that would accrue from the new service. To his credit, Labour's Eddie O'Hara warned prophetically of the danger under the new system of "cross-contamination and consequent food poisoning". He pointed out that it had been the local authorities who had been most concerned about the possible - but at the time officially dismissed - risks of BSE. But even his speech was largely taken up with the anger of meat wholesalers who feared being driven out of business by the excessive costs they would have to pay to be inspected. That couldn't happen now.

What's more, the service had a rather unpromising start. Even most of the experts have forgotten that its first head of operations, Philip Corrigan, a vet with an international academic reputation, was found to have left his native Australia under a bit of a cloud - namely six disciplinary charges under the Australian Public Services Act, including a complaint alleging that he had solicited a grant from the Australian Cold Storage Association to finance a trip to an international conference in Berlin. He left, but only after his troubles in Australia

Donald Macintyre

A revolution is taking place that will end for ever the food producers' stranglehold on the Ministry of Agriculture

had been unearthed by the Liberal Democrat agriculture spokesman Paul Tyler and *The Independent*. Small beer no doubt, but the point is that the Ministry of Agriculture admitted they knew that Mr Corrigan had had a problem in Australia when they appointed him. An insouciance which surely speaks volumes about the incestuous relationship the ministry expects its officials to enjoy with the industries they are supposed to monitor.

This is nicely illustrated, as it happens, by a glossy publication called *Functions of the Meat Hygiene Service*, which the ministry helpfully issued on Wednesday. Given the department's instincts for suppression, it was rather surprising that it was put out at all. For it could hardly be a more graphic illustration of what is wrong. There are lots of pictures of earnest-looking folk in spotless white coats examining carcasses in gleaming establishments of the sort Swann, for one, would not recognise. In a list of its "performance targets", "applying hygiene requirements" comes seventh out of nine, behind three on financial performance, one on BSE, and one on animal welfare. But the best bits are the glowing encomia - dropped into the main text - from the big beasts of the food producer jungle: the Federation of Fresh Meat Wholesalers is enraptured with the "positive and responsive" way the service has met "recent demands". From whom it does not say. And then the International Meat Traders' Association is thrilled with the "excellent service and total co-operation" it has received from the chief executive and all MHS staff.

What would reinforce any dwindling reputation the MHS still has, of course, would be if the quote had said: "The MHS and its chief executive have been an utter pain in the neck, snooping at everything we do, enforcing all sorts of footling restrictions and being paranoid about the odd cow with diarrhoea."

It's a safe bet that this will be the last report of its kind from the MHS. It may be that Maff will limp on, as Labour currently intends, with another agency, whether answerable to the Department of Health or not, taking care of food safety. There is no reason why Maff's green functions should not be hived off to Environment, and its European subsidy negotiations to the DTI (a department crowded with ministers with too little to do). Some food standards campaigners believe it should be reformed wholesale rather than dismembered. But others, including Sheila McKenna, believe it should be abolished if only to eliminate the corrosive culture of a department which saw its role as protecting not just farmers but meat wholesalers, renderers, abattoir operators and the whole panoply of industries now caught in the headlights.

This change will be painfully slow. There may be more revelations to come. The intimidation of meat inspectors at abattoirs won't stop overnight. The problems of the poultry industry have so far escaped attention. But something has snapped. It no longer seems possible that Edwina Currie could face the lynch mob which ended her ministerial career over salmonella. It no longer seems possible that Mrs Thatcher could say, as she once did when asked whether Maff had outlived its usefulness: "You don't see farmers are consumers too." The stranglehold the big producers have had over those who buy and sell their food is loosening daily. And it won't be coming back.

Racist table talk of Middle England

by Suzanne Moore

I take it that no readers of this newspaper, or any other newspaper for that matter ever make or hear anyone else making racist remarks. That is why Paul Watson's television documentary, *The Dinner Party*, in which "the most notorious dinner guests in the country" sit around happily mouthing off about queers and immigrants and "Black Rastafarian Africans", is deemed newsworthy.

A week after David Evans felt free to lecture school children on the subject of "black bastards", we have yet more evidence that the heart of darkness is located in that mythical land, Middle England, actually this time rural Suffolk. Out there in the shires, or maybe in the council estates of our cities, there is that evil thing called racism. Where we live, however, everything is harmonious beyond belief, a regular little Ebony and Ivory situation.

Who are we kidding? And what are we trying to prove? That other people are bigots, stupid enough to let themselves be filmed spouting their true blue prejudices, while we, the whiter-than-white, look on with disdain. Or are we glad that these views are expressed publicly because then we know what we are up against, we know who the enemy is, where the racists are? If this is the case, then is the enemy senior judges referring to hard workers as "people who work like niggers"? Is it the police involved in the Stephen Lawrence case? Is it those in the Tory party who want to turn immigration into an electoral issue?

These are confusing times. *The Daily Mail* is prepared to name those it claims killed Stephen Lawrence yet it also supports Nicholas Budgen's view that the relaxing of immigration controls is a legitimate subject of debate. John Major has said that he will not play "the race card" and Tony Blair has congratulated him for it. There are those who would argue that the discussion of immigration is not in itself racist, yet the playing of "the race card" can only be meaningful if we all assume that we are playing it into the hands of an implicitly racist electorate.

The *Daily Telegraph* can compare up the spectacle of borders poised to enter the country, "half a million people every five years". Budgen defends his position by claiming that the majority of Asians themselves think our immigration policies are too lenient. He cites the Asian doctor who has no reason to want more Punjabi labourers brought in. *The Mail*, naturally, admires Asian immigrants, particularly "their respect for education, the law and family values". Admittedly there is not the same as wanting more of them, is it? Budgen talks of the number of "black riots" in Brixton, Bristol and Wolverhampton. Incidentally, he tells us that there has been "no white rioting against the Black and Asian



PRIESTLEY

White people should stop feigning horror when the 'secret racism' of so-called polite society is exposed



population. The white community has expressed its view through the ballot box."

One doesn't have to be a Lily-livered liberal to find the subject to all this guff, and it is as undeniably racist as witterings of a few drunken half-wits over dinner. The difference is that all public speech now has to start with a declaration of anti-racism before it goes on to parade in the crassest way possible a series of stereotypes based on ignorance and fear.

Of course as Linda Bellos pointed out in these pages earlier this week, things are improving and there are a few signs that the "politics of race" are being discussed in more intelligent ways. Professor Patricia Williams, deliverer of the Reith Lectures, despite her demonisation as a PC zealot, turns out to have some interesting things to say about

"colour-blindness". Bellos also mentioned the handling of the discovery of the *HMS London*, which contained the remains of manacled slaves. She praised the lack of denial of the facts about the slave trade.

We could also talk of the sensitive handling of issues of race in much of the Comic Relief coverage or the attitudes expressed in opinion polls by young people that continue to highlight racism as a serious ill. Bellos's point, though, was clear - that progress can only be made when black people themselves speak out and are listened to.

Yet the ways in which race is spoken about are so roundabout that we are shocked when faced with overt racism. All the poring over league tables, the scurrying between one school and another, has a lot to do with race, but try getting your average middle-class "anti-racist"

to talk about it. The absence of black faces in public life is often put down to something called "institutional racism" which means that individuals are left off the hook, yet how does institutional racism come about except by discrimination that is practised at times by individuals? The Society of Black Lawyers has complained this week about "an appalling level of unequal treatment" which

means students from ethnic minorities continue to be under-represented in the profession.

I am suggesting a return to a kind of politics of guilt where everyone has to locate their own inner racist. However, continually to position racist attitudes as either belonging to a group of unsavoury individuals or merely the social lubricant of many big organisations does not get us very far.

As "trust" is supposed to be one of the big ideas, one has to tackle the distrust by many black people of so many key institutions - the police, schools, the media, to name but three. The championing of the Lawrence case sent out a long-awaited message that while society did care about the murder of a young black man. Yet while once again we are fixated on the banality of racism displayed in Paul Watson's film, three members of Combat 18 - 18 stands for the position of Adolf Hitler's initials in the alphabet - received sentences of only 12 to 17 months for their activities. This included the publication of a hit list, of people to be punished alongside detailed instructions on how to make bombs. The list included Sharon Davies; her crime is her marriage to a black man.

If polite society is as truly anti-racist as we like to pretend then we should be up in arms about this. Remember this is an organisation whose main aim is to "ship all non-whites back to Africa, Asia, Arabia, alive or in body bags, the choice is theirs". Instead, however, we ache to witness the horrible spectacle of both parties rushing around after the ethnic vote, patronising "ethnic minorities" left, right and centre.

Those prepared to play the race card may appear not to be playing with a full deck, but as long as we do not make them show their hands then they will continue to bluff us. If we were able to talk openly about racism instead of having to deny its presence, the race card would not have the currency it has. As many of the remarks of recent weeks have shown, racism to some may be a dirty secret; but to others it is part of a shared world view. We have found nothing from the remarks of David Evans or the guests at *The Dinner Party* that we did not know already. As the "secret racism" of so many respectable players is exposed, then white people dutifully feign horror at a secret that black people have been telling us about for some time, if we had listened to them.

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The Europhobes who threaten Britain

When asking us to give sympathetic consideration to the possibility of withdrawing from the European Union, Euro-sceptics are less than frank about what this might mean. They suggest that an independent Britain could remain on good terms with the Union, each going its own separate way. This is widely optimistic. More likely, relations between the two would be implacably hostile, for the last thing Brussels would want to see is an independent Britain doing well, since that would tempt other members down the same path. Independent Britain's success would be a permanent challenge to the European Union, inviting dreams of secession in their ranks, and the Union's success a permanent challenge to Britain, promoting federalist heresies in ours. Federal Europe and independent Britain, like it or not, would be locked in a protracted conflict, a kind of Napoleonic Cold War. Either their success would be the end of us or our success would be the end of them. Without a shot being fired it would be a war to the death.

Even if Britain won, however, and remained an independent nation state, I doubt if the kind of society which emerged would be one in which any civilised Tory would want to live, for the degree of nationalist fervour a Euro-sceptic government would have to whip up to win the referendum, getting Britain out of Europe would be as nothing to that



Peregrine Worsthorne in his *Spectator* column, reprinted here, warns of the consequences of a Cold War with Europe

required to mobilise the British people behind a long Cold War struggle against Europe. Conceivably, Rupert Murdoch willing, this necessary degree of nationalistic fervour could be sustained at the grass-roots, but certainly not among the educated cosmopolitan élites, great swathes of whom - judging by their present attitudes - would be supporting the federalist enemy.

How much tolerance would a Europhobic government - for that is what, as the struggle proceeded, it would be likely to become - show to them? During the Napoleonic wars "Napoleonists" like the Whig leader Charles James Fox - the 18th century's equivalent of Roy Jenkins - did get away with virtual treason, as many Jacobites, privately drinking to the King over the water, had before them. But 20th-century nationalism is made of sterner, more thuggish stuff and it is difficult to imagine potential fifth columnists like Lord Jenkins and, even more so, Sir Edward Heath, receiving the same kid-glove and gentlemanly treatment - not at any rate if that splendid bruiser Norman Tebbit had anything to do with it.

The climate would, I fear, soon have far too much for comfort in common with *fin de siècle* France, where right-wing intellectual firebrands like Charles Maurras, founder in 1899 of *Action Française*, accused any Frenchman of treason whose ideas of *La Patrie* differed from his

own. Already comparably dogmatic definitions of what it requires to be fully English - as against British - are beginning to be heard here. No journal as rabidly nationalistic as *Action Française* has yet hit the streets, but when it does I can think of several right-wing intellectuals among my friends who would be only too happy to contribute.

Nor would this increasingly nationalistic climate be dissipated once Britain had taken the plunge and decided to withdraw, for short of deporting Euro-enthusiasts and purging them wholesale from the public service - where their influence is very great - they would still be here. "The enemy in our midst", handy to take the blame once the pains of independence began to bite. In *fin de siècle* 19th-century France cosmopolitan Jews were the scapegoats. In *fin de siècle* 20th-century England it would be cosmopolitan Euro-enthusiasts.

That would not be the worst of it. For the radical right would not be the only lot of ruthless ruffians eager to climb aboard the patriotic bandwagon in the hope of steering it in their direction. Equally eager would be the radical left, as they were during the Second World War. Then the "Guilty Men", excoriated by Michael Foot in his famous Gollancz special of that name, were the Establishment appeasers of Berlin; this time, some contemporary Michael Foot, Paul perhaps, would put the boot into the

Establishment appeasers of Brussels. Then it was only the radical left which used patriotism as a cover under which to prosecute the class war. Now that play would be used by both the radical right and the radical left. Not only would the *Daily Mirror* have plenty of opportunity to peddle its kind of anti-establishment poison but so, needless to say, would *The Sun*. Between them everything which makes Old Britain agreeable and civilised - monarchy, Church, social hierarchy, high culture - would be ground into the dust and everything that makes New Britain odious - Union Jack-waving football fans, the tabloid press, philistine populism - greatly strengthened.

There is always a high price to pay for mobilising the masses, as the Tories discovered after both great wars, none more so than Winston Churchill, whose humiliating dismissal in 1945 was very much part of that price. Having patriotically done their best for the country, the people understandably expect their country in return to do its best for them. So it would be even if Britain came out on top in the struggle with the European Union. She would emerge from it with her governing institutions - the very things which the Tory party came into existence to protect - discredited and the masses triumphant and vengeful. To beat Hitler, that was a price just about worth paying, but not surely to beat M Santer or even Chancellor Kohl.

business & city

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NatWest counts the cost of £90m hole

Four suspended, £8m bonus cut as inquiry deepens

Michael Harrison

The mis-pricing in NatWest's interest rate options division is a "significant setback" for the bank and is likely to take several months to unravel fully, its chief executive Derek Wanless admitted yesterday.

The episode also evokes uncomfortable memories of the Blue Arrow affair, which led to the demise of County NatWest, the bank's previous attempt to become a serious player in international capital markets.

But Martin Owen, chief executive of NatWest Markets, said it would not blow it off course in its determination to become a global investment bank.

Investigators from lawyers Linklaters and Paines and accountants Coopers and Lybrand are confident that the problems are restricted to the London arm of NatWest Markets' interest rate options business.

But they and senior NatWest executives are perplexed that the mis-pricing could have remained undetected for so long and by the precise motivation that lay behind the deception.

"There is no evidence of personal gain having been made except in so far as people wanted to keep their jobs by disguising losses," said one source.

Mr Wanless said it was "extremely regrettable" that the losses should have gone undetected for so long and he conceded that the affair was "a significant setback" to the bank's attempts to build its reputation in the international capital markets business.

But he said he was satisfied that the mis-pricing was not evidence of a wider systemic problem throughout NatWest Markets. However, he said that there were urgent lessons to learn from the episode, which has resulted in the suspension of five senior employees and the docking of £8m in bonuses from a handful of employees in the bank's global debt derivatives division.

The losses only came to light late last month and were initially expected to cost NatWest £50m. It now appears that the size of the hole is £90m although £13m of this is covered by an existing provision and the withholding of the bonus payments.

Kyriacos Papouis, the options trader at the centre of the

affair, left the bank last year and has since lost his job at the US bank Bear Sterns. NatWest is attempting to interview him as part of the investigation and has made several approaches through his lawyers, Kingsley Napier.

His immediate boss, Neil Dodgson was already on suspension, pending the outcome of the internal inquiry. Yesterday a further four senior staff were also suspended.

They are Mr Dodgson's superior, head of swaps options trading Ian Gaskell, a graduate trainee who joined the bank in 1983 and progressed to its swaps department in 1991.

Mr Gaskell in return reports to Jean Francois Nguyen, managing director of debt derivatives, who is also suspended. Mr Nguyen was brought in from Credit Suisse in 1991. Christophe Lanson, who also came from Credit Suisse and is global head of rate risk management - and as such the man responsible for the financial engineering of the options dealt in by the team of traders - has also been suspended.

The fifth staff member to be suspended is Phil Wise, now NatWest Markets' chief administrative officer but senior managing director of the capital markets division for most of the time that the mis-pricing was going on.

NatWest executives stressed yesterday that the suspensions should not be taken to indicate guilt or responsibility but were designed to allow the individuals to co-operate fully with the continuing inquiry.

As well as establishing that the mis-pricing was not part of wider failures of control within the bank, no flaws had been identified in the models used by NatWest to price the options in which it trades.

NatWest said that the second stage of its review would concentrate on the management issues associated with its failure to detect the losses and the mis-pricing earlier.

As an "act of leadership" Mr Owen has volunteered to forgo £200,000 of his £500,000 bonus for last year.

However, the financial impact is much bigger for other employees with the number of staff thought to be affected by the £8m bonus cut numbering fewer than 10.

Comment, page 21



Weighing up the options: Derek Wanless (left) and Martin Owen, chief executive of NatWest Markets, who has decided to forgo £200,000 of his performance-related bonus

Trader's losses grew undetected for two years

To senior NatWest executives, the most alarming feature of the £90m hole that has appeared in its interest rate options business is the fact that it remained undetected for more than two years.

It now emerges that losses had been building up in the book run by the young options trader Kyriacos Papouis since late 1994 and yet they were only uncovered in February this year, three days after the parent bank had announced profits of more than £1.1bn.

In part that is due to the highly complex and esoteric nature of some of the financial instruments used in debt derivatives trading.

In part it is due to the failure of management systems to identify that something was going wrong and tackle the source of the problem.

In part it was due, it now appears, to conscious efforts to obscure the losses through the mis-pricing of options and the transfer of value between trading books, which made it more difficult to detect the mis-pricing.

The mis-pricing only came to light after back-office staff at NatWest Markets - those responsible for reconciling trades on a daily, weekly and monthly basis - began to question the values attached to certain options and the way those prices had been fixed.

Martin Owen, chief executive of

NatWest Markets, says: "The losses came to light through the book reconciliations and testing of methodologies that are carried out on a regular basis. As we tightened our processes we began to discover more."

He does not believe there is evidence of any personal gain being made on the part of anyone. "Our continuing investigation will, however, want to look now at the motivation behind these trades," he said.

The mis-pricing only came to light after back-office staff began to question the values of options

For motivation, the bank might take a look at the remuneration which its traders can take home and the pressure under which they work. The £8m docked yesterday from the bonus payments of a handful of high-flyers in NatWest's global debt derivatives busi-

ness shows the scale of the rewards on offer.

Traders regularly start work at seven in the morning, not finishing before six in the evening and sometimes much later if the trades they are executing involve Far East or US markets.

NatWest Markets' interest rate options division occupies only a small part of the investment bank's headquarters in London's Bishopsgate - home to one of the biggest trading floors in Europe. The division employs about 70 people in London and a further 80 overseas. And yet it is a key part of the bank's overall derivatives business, holding some very large positions out of the notional £260bn on options held on NatWest's books.

In essence an option is the right to buy or sell a property at a predetermined price in the future. The buyer pays a premium for that right. In the case of interest rates it enables the buyer to fix or hedge their debt exposure on given currencies over given time periods. At its simplest it is like switching to a fixed-rate mortgage.

However, clients of NatWest Markets would be more likely to buy the options to trade their liabilities by, for instance, swapping their exposure to dollar interest rates in five years' time for deutschmark interest rates in three years' time.

Some of the options dealt in by Mr Papouis and the small team of options traders he worked with will have been of a fairly conventional nature, heavily traded on the capital markets. But some will have been more complex options involving a much higher degree of volatility, thus making the pricing of them more subjective.

In the main he would have been trading options with clients - generally other banks or large corporate customers needing to hedge their interest rate exposure. But in addition, there would have been a small amount of proprietary trading using the bank's own capital.

What the independent investigators brought in by NatWest from account-

The bank might take a look at the rewards its traders can take home and the pressure under which they work

ants Coopers & Lybrand and lawyers Linklaters and Paines discovered was regular mis-pricing to obscure losses in certain option books. To make these losses more difficult to detect, the value of options was transferred between books.

In no cases will customers of NatWest have suffered losses by buying the options since the mis-pricing relates to the value that was attached to them in the bank's own books.

The five employees so far suspended by NatWest Markets form a chain of command and supervision within its interest rate options area starting with Mr Papouis.

Martin Owen, chief executive of NatWest Markets, stressed yesterday that the suspensions were not intended to imply guilt or wrongdoing on the part of anyone but were designed to enable the individuals to co-operate fully with the ongoing investigation.

But senior NatWest sources doubt that Mr Papouis could have mispriced the options he was trading in so systematically over such a long period on his own.

Investigators also believe that the transfer of value between books points to a deliberate attempt to avoid detection as the net closed in.

Michael Harrison

Fall in inflation puts Spain in place for rate cut and EMU

Yvette Cooper

The Bank of Spain is expected to cut interest rates by a quarter of a percentage point today after figures yesterday showed a sharp drop in inflation. The new inflation figures raise the chances of Spain meeting the Maastricht criteria and joining EMU while leaving Italy on the sidelines.

The Spanish consumer price index fell by 0.1 per cent during February, bringing the annual rate of inflation down to 2.5 per cent, compared to 2.9 per cent in the year to January.

Julian Jessop of Nikko Europe said: "The markets were excited by the inflation figures. We expect the Bank of Spain to cut rates as soon as possible."

Spain failed to meet the Maastricht inflation criterion in January on the basis of the EU harmonised inflation measure, the HICP, which put Spanish inflation at 2.8 per cent, 0.1 of a percentage point lower than the national measure. The Maastricht Treaty says that inflation must not be more than 1.5 percentage points above that of the three best-performing countries, creating a ceiling in January of 2.7 per cent.

But the inflation drop in February greatly increases Spain's chances of passing the inflation test in 1997. David Walton of Goldman Sachs said that if the ceiling remained roughly unchanged, and if the EU harmonised measure followed the national CPI, then the

probability of Spain meeting the inflation criterion had risen from 73 to 96 per cent.

Falling inflation means that Spain has a better chance of meeting the other Maastricht criteria too, because it gives the Bank of Spain more leeway to cut interest rates. Julian Jessop of Nikko Europe said: "I don't think interest rates are being set to control inflation. Spain is much more concerned about growth. Meeting the deficit and debt criteria are the problem."

Spain has lower borrowing, lower debt and higher growth than Italy, giving it a much better chance of meeting the Maastricht criteria this year. Goldman Sachs forecasts that Spain's deficit will be 3.4 per cent in 1997, compared with the

Maastricht 3 per cent limit. Mr Jessop said: "The Germans are less worried about Spain than Italy. Spain is a smaller economy, and would bring a much lower debt into EMU."

The prospect of Spain leapfrogging into EMU while EC founder member Italy is left behind could cause diplomatic problems. However, Philip Chiny of ABN Amro maintains that both Italy and Spain are excluded in the first wave. "The Maastricht Treaty talks about sustainable low inflation. It isn't clear to me that either country has yet achieved this."

Average earnings in Spain were rising 5 per cent a year and there were serious inflationary pressures in Spain and Italy.

Special dividend splits Salvesen shareholders

Magnus Grimond

A split between private and institutional investors in Christian Salvesen opened yesterday after the board pushed through a controversial £100m special dividend at a hostile shareholders' meeting in Edinburgh.

The board, led by Sir Alick Rankin, chairman, was forced to put the proposed payment to a poll after around two-thirds of the 400 people attending the gathering, mainly individual investors, voted against on a show of hands. The final tally showed 69 per cent of the votes cast backing the management, with over three-quarters of the share capital thought to have been voted.

Sir Gerald Elliot, who has led a £300,000 campaign against the

dividend and related proposal to demerge the Aggreko generator hire business, said he thought the private shareholders were largely behind him. He expressed regret that institutional investors, led by Morgan Stanley and PDM, had decided to support the company.

"I would like to see boards being more sensitive to the long-term interests of companies and less to the short-term concerns of institutions," he said. "What [the campaign] did bring out was the widespread concern about the way the company has been run."

But he said he would not continue his crusade, which means the management should be able to push through the demerger unopposed at a second extraordinary meeting later this year.

Granada backs away from bid for Yorkshire

Tom Stevenson
City Editor

Granada threw its "phony bid" for control of ITV neighbour Yorkshire Television into confusion yesterday after it apparently ruled itself out of launching a takeover offer for at least three months. Yorkshire's shares tumbled 117.5p to £11.65p, having dipped as low as £11.05p at one stage, as the long expected bid, an open secret in television circles, seemed to have been at least put on hold.

The timing of an unexpected statement from Granada only 24 hours before today's announcement of full-year figures from United News & Media, another potential bidder for Yorkshire, added a further twist to what one analyst described as "an elaborate poker game". Granada denied it was talking Yorkshire's price lower to secure a cheaper takeover price.

Its statement followed hot on the heels of remarks earlier this week from Yorkshire chairman, Ward Thomas, that any bid for the company would have to be pitched at £17 a share or more to succeed. Granada has expressed privately that paying more than £13.20 a share would result in dilution of its own earnings.

Although the statement was worded in a way that the takeover bid might normally be precluded a bid for at least three months, it included caveats which analysts said yesterday might leave the door open for an offer.

Granada's statement ran: "Reports of the possibility of Granada making an offer for Yorkshire at or above the current share price are misplaced: Granada confirms that, unless there is a material change in Yorkshire's circumstances (including an offer from a third party), it has no current intention of making an offer for Yorkshire."

Analysts said that wording, whilst certainly cleared with the Takeover Panel, would allow Granada to return if United News & Media or any other television company were to launch a bid. United, which owns 14 per cent of Yorkshire, compared with Granada's 27 per cent holding, also owns warrants, which if exercised could take its stake above 18 per cent.

Speculation also surrounded Yorkshire's intentions towards Laser, the advertising sales business owned by Granada which sells commercial slots for both its owner and Yorkshire. A mooted end to Laser's contract with Yorkshire would almost certainly be seen as a material change in Yorkshire's circumstances, analysts said, and could be used as a pretext for a bid.

The statement went on to say: "The current Yorkshire share price already reflects not only a significant bid premium caused by continuing speculation, but also expectations of a substantial reduction in Yorkshire's annual licence bid payment, realisation of which is far from certain."

STOCK MARKETS									
FTSE 100			Dow Jones			Nikkei			
4397.70	-24.80	-0.6	7250	-100	-1.4	15830	-100	-0.6	
4397.70	-24.80	-0.6	7250	-100	-1.4	15830	-100	-0.6	
4397.70	-24.80	-0.6	7250	-100	-1.4	15830	-100	-0.6	
4397.70	-24.80	-0.6	7250	-100	-1.4	15830	-100	-0.6	
4397.70	-24.80	-0.6	7250	-100	-1.4	15830	-100	-0.6	
4397.70	-24.80	-0.6	7250	-100	-1.4	15830	-100	-0.6	
4397.70	-24.80	-0.6	7250	-100	-1.4	15830	-100	-0.6	
4397.70	-24.80	-0.6	7250	-100	-1.4	15830	-100	-0.6	
4397.70	-24.80	-0.6	7250	-100	-1.4	15830	-100	-0.6	

INTEREST RATES									
Short sterling*			UK medium gilt			US long bond			
6.00	5.94	7.34	5.94	5.94	5.94	7.34	5.94	5.94	5.94
6.00	5.94	7.34	5.94	5.94	5.94	7.34	5.94	5.94	5.94
6.00	5.94	7.34	5.94	5.94	5.94	7.34	5.94	5.94	5.94
6.00	5.94	7.34	5.94	5.94	5.94	7.34	5.94	5.94	5.94
6.00	5.94	7.34	5.94	5.94	5.94	7.34	5.94	5.94	5.94
6.00	5.94	7.34	5.94	5.94	5.94	7.34	5.94	5.94	5.94
6.00	5.94	7.34	5.94	5.94	5.94	7.34	5.94	5.94	5.94
6.00	5.94	7.34	5.94	5.94	5.94	7.34	5.94	5.94	5.94
6.00	5.94	7.34	5.94	5.94	5.94	7.34	5.94	5.94	5.94

CURRENCIES									
£/\$			£/DM			\$/Y			
1.5830	-1.22c	1.5234	0.6277	+0.47	0.6584	109.7	+2.06c	107.0	25 Apr
1.5830	-1.22c	1.5234	0.6277	+0.47	0.6584	109.7	+2.06c	107.0	25 Apr
1.5830	-1.22c	1.5234	0.6277	+0.47	0.6584	109.7	+2.06c	107.0	25 Apr
1.5830	-1.22c	1.5234	0.6277	+0.47	0.6584	109.7	+2.06c	107.0	25 Apr
1.5830	-1.22c	1.5234	0.6277	+0.47	0.6584	109.7	+2.06c	107.0	25 Apr
1.5830	-1.22c	1.5234	0.6277	+0.47	0.6584	109.7	+2.06c	107.0	25 Apr
1.5830	-1.22c	1.5234	0.6277	+0.47	0.6584	109.7	+2.06c	107.0	25 Apr
1.5830	-1.22c	1.5234	0.6277	+0.47	0.6584	109.7	+2.06c	107.0	25 Apr
1.5830	-1.22c	1.5234	0.6277	+0.47	0.6584	109.7	+2.06c	107.0	25 Apr

OTHER INDICATORS									
Oil Brent \$			Gold \$			Basis Rates			
19.86	+0.25	18.92	352.55	-0.4	396.75	6.00pc	6.75		
19.86	+0.25	18.92	352.55	-0.4	396.75	6.00pc	6.75		
19.86	+0.25	18.92	352.55	-0.4	396.75	6.00pc	6.75		
19.86	+0.25	18.92	352.55	-0.4	396.75	6.00pc	6.75		
19.86	+0.25	18.92	352.55	-0.4	396.75	6.00pc	6.75		
19.86	+0.25	18.92	352.55	-0.4	396.75	6.00pc	6.75		
19.86	+0.25	18.92	352.55	-0.4	396.75	6.00pc	6.75		
19.86	+0.25	18.92	352.55	-0.4	396.75	6.00pc	6.75		
19.86	+0.25	18.92	352.55	-0.4	396.75	6.00pc	6.75		

What will the branch manager say about this?



COMMENT

'How is he going to explain bonuses of more than £1m earned on the back of bogus profits? How is he going to explain to his staff that a high street bank, a clearing bank for heaven's sake, could ever have contemplated these lottery-type payments?'

This is a bad, bad day for National Westminster Bank - worse, in some respects than the time when Department of Trade and Industry inspectors were sent into NatWest to investigate the Blue Arrow affair. That management controls at any City bank could be so loose as to expose it to catastrophic loss on this scale is bad enough; that it should happen to a high street bank with a jealously guarded reputation for prudence and probity makes it seem doubly worse.

When rogue trading incidents of this type are confined to foreign or family-controlled specialist City banks, it certainly makes a good story but its wider impact is generally limited. Indeed the suspicion is that much of the time these episodes go entirely unreported; when the bank is a partnership and the losses not life threatening, it is not hard to hide the incident in the general mangle of complex derivative trading. The culpable traders are disciplined and fired (though not publicly), controls are tightened, and the ship sails on as before with few people outside the bank aware of the disaster. It could well be that these things are more common than generally thought.

But for it to happen to a retail bank is something else. What is the small town branch manager going to say after this when confronted with the customer with an unauthorised overdraft? Sorry mate, our City people may be able to get away with

£90m of deceit, but down here we operate to different laws. How is he going to explain bonuses of more than £1m in some cases, earned entirely on the back of bogus profits? How is he going to explain to his staff that a high street bank, a clearing bank for heaven's sake, could ever have contemplated these lottery-type payments in the first place. And how is he going to explain that the "mis-pricing" went on for more than two and a half years without anyone noticing it?

Sir Brian Pitman, chairman of Lloyds-TSB, always had a very obvious answer to the sort of position NatWest now finds itself in. The culture and underlying business of retail banking and investment banking are so different that they can never be made to mix, he insists, and any attempt to bind them together under one roof is ultimately doomed to failure. As a consequence, Lloyds has steered clear of investment banking, concentrating instead on building itself into one of the country's leading retail financial services groups.

NatWest has swung the other way, choosing to reinvest the money it realised by selling Bancorp in the US and Banco NatWest Espana, on bolt-on acquisitions for its investment banking offshoot, NatWest Markets. A key element of group strategy is to build NatWest Markets into a world class player in international capital markets and securities. Today that strategy looks

badly dented, if not quite ripped apart, and Sir Brian's view seems to have been entirely vindicated.

Does a clearing bank really have the management nous needed to control and run an investment bank? The skills, disciplines and systems are very different ones, as different, Sir Brian would say, as chalk and cheese. It would be an exaggeration to say that NatWest had it coming, that it is an innocent dabbler in a business where it was always likely to lose its shirt, but there may be an element of that here.

Furthermore, the whole sorry episode highlights in quite spectacular fashion what so many both inside and outside the City have been hanging on about for so long now - the dangers in financial markets of very high levels of bonus-driven pay. The £9m of bonuses that NatWest will not now be paying appear to have been promised to fewer than 10 people in the interest rate options trading activity where the mischief took place. If these bonuses were profit and success-related, as they almost certainly were, then there was clearly a very powerful incentive both to inflate profits artificially by mis-pricing the options and to construct an elaborate cover-up of what was going on.

NatWest claims not yet to know what the motivation was, if indeed there was any at all. That must ultimately await the judgement of regulators. But it's not hard to figure it out. What happened here plainly

went beyond simple negligence and incompetence, as NatWest itself half admits in its statement.

The losses, it says, were obscured by mis-selling, and the transfer of value between books also made the losses and mis-pricing more difficult to detect. This is code for saying there was a deliberate deception. The fact that the Serious Fraud Office has been briefed adds to the suspicion that these were deliberate acts.

Can any organisation ever hope to stop the determined rotten apple? Well perhaps not in the early stages, but what makes this particular case so hard to understand is that it went unchecked for so long.

There are two possible explanations of why. First, interest rate options are quite complex derivative instruments, though not nearly as complex as some, and their pricing requires highly technical modelling. Few non-specialists understand it fully. The second is that these instruments are traded over the counter, so there are none of the usual safeguards and alarm systems that operate in transparent, regulated markets.

Options are customised products and their pricing is to some extent subjective. In this case the mis-pricing was achieved by feeding absurd interest rate volatility assumptions into the model. Whether you are inside or outside, it is hard to tell that this is happening. Since options

are essentially private transactions, there's nobody to blow the whistle and point to the absurdity of the pricing as there generally is in more traditional financial markets. If steps are then taken further to obfuscate the position by transferring values between different books, it becomes even more difficult to see what's happening.

None of this should excuse NatWest's failure. Derivatives are sold on the basis that they allow organisations to reduce risk and hedge their exposure to particular market positions and securities. Investment banks make an awful lot of money designing and selling these instruments. But if they cannot control their own risk, who's going to believe that these products actually limit anybody else's.

The great fear is that the explosive growth of these instruments poses a special kind of threat to the financial system. It is not difficult to construct a doomsday scenario in which the world's financial system is brought to a grinding halt by a chain reaction of linked defaults. Fortunately the great interest rate options scandal has proved to be a quite confined episode. This was not the great derivative-triggered collapse that some alarmists think will one day rock financial markets. But that's fat comfort to Derek Wanless and his board at NatWest. They are now going to have to live with the embarrassment of being the first British clearer to fall victim to a derivatives scam.

GEC and Fiat to unite in bid for £600m train order

Kim Sengupta

Fiat of Italy and GEC are to announce the formation of a consortium today to bid for the £600m contract to build a new generation of tilting trains for the InterCity West Coast line.

The huge contract from Richard Branson's Virgin Rail is expected to create 5,000 new jobs in the UK, and the new consortium believes, will lead to lucrative export orders from abroad in the future.

Virgin Rail has drawn up a shortlist for the contract for the high-speed trains, which it hopes will revitalise the ailing West Coast line, and reduce the London-Scotland journey times by 90 minutes to four hours.

Mr Branson had let it be known that he would favour the contract going to a company that could guarantee creation of jobs in this country. The main rival to the Fiat/GEC alliance is thought to be Swedish company AD Trane, which took over the British Rail engineering works in Derby.

Fiat has already produced tilting trains for Italy, Switzerland and Finland. It has also

received orders for them from France and Spain. ADT has manufactured the high-speed trains for networks in Sweden and Germany.

Virgin will receive a first-year subsidy of £76.8m to run InterCity West Coast but by the end of its 15-year franchise it will be paying the Government £220m a year.

Mr Branson believes the high-speed trains will lure passengers back from air travel. He has already introduced fare reductions of almost 50 per cent for off-peak passengers.

The Fiat/GEC consortium is believed to be ready to offer rail passengers, airline-style travel with carriages equipped with facilities such as seat-back video screens.

An industry insider said: "This is a pretty dramatic step by Fiat and GEC, and it shows both the companies believe there is a bright future for the railways in Britain. It is also felt that Britain can actually become a viable manufacturing base to supply tilting trains abroad."

Richard Branson has been keen to ensure the company which gets the contract would

create jobs in this country. If Fiat did not enter into this alliance its chances of getting the order would have been slim."

Fiat and GEC's desire to bid for the contract has been boosted by the recent decision by Railtrack to plough £16bn into Britain's train network. It claims the "Lottery size" investment will give the country a "railway that is second to none".

Separately, Sir George Young, the Transport Secretary, yesterday gave the go-ahead for the sale of British Rail's Channel Tunnel freight business, Railfreight Distribution, to English, Welsh and Scottish Railway.

The sale completes the privatisation of BR's former train-operating firms. Railfreight joins 25 passenger businesses and five of BR's six freight companies already in the private sector.

Railfreight has 1,200 employees and in conjunction with the French railway, SNCF runs 150 trains every week between Britain and Europe through the Channel Tunnel.

Rail operators' hazardous journey, page 24



Comfort class: Chief executive Bob Seelert yesterday after announcing the Delta account. Photograph: Emma Boam

Cordiant returns to profit

Patrick Toohar

Cordiant, the marketing services group rocked by the defection of the founding Saatchi brothers in 1995, yesterday underlined a remarkable financial recovery by paying its first dividend payment to shareholders in seven years and reporting a return to the black.

Shares in Cordiant rose 9.5p to 113.5p, helped by news that Delta, the US airline, had hired Saatchi & Saatchi for its £100m (£63m) account world-wide. "It's our most exciting account win in recent history," said Bob Seelert, Cordiant's chief executive.

The Delta contract is the first big airline account Cordiant has landed since British Airways' advertising business followed the Saatchi brothers out the door during a haemorrhage of clients two years ago.

Pre-tax profits at Cordiant, which still includes advertising agencies Saatchi & Saatchi and Bates Worldwide, hit £41.8m in 1996 after a loss of £22.6m the year before. The US made a trading profit of £17m after a £16.5m loss the year before, but Europe was hit by the loss of several large clients, including Rockit & Colman and the Fuji film account, which had to be resigned after Cordiant's US operation won the rival Kodak contract world-wide.

Investment column, page 22

Mirror Group profits reach all-time high

Patrick Toohar

Mirror Group, the newspaper publisher, yesterday all but ruled out a takeover of Scottish Television, in which it has a 20 per cent stake, even if media ownership rules are relaxed under a new Labour administration.

"It would be difficult to acquire STV because we would then have an interest in all the number one media brands in Scotland," said David Montgomery, the Mirror's chief executive. "Clearly questions would be raised about a monopoly situation."

Mirror Group owns the Daily Record, the best-selling tabloid in Scotland, while STV's £120m purchase of Caledonian Publishing included the Herald, Scotland's leading broadsheet title. Under the Broadcasting Act newspaper publishers such as Mirror Group and Rupert Murdoch's News Corporation, which have more than 20 per cent of national circulation, cannot increase their interest in ITV companies.

"The 20 per cent will change but it won't affect our strategy," Mr Montgomery said.

He was speaking after Mirror Group reported a 6.6 per cent rise in pre-tax profits before one-off items to a record £82.2m on sales 7.3 per cent higher at £537.7m. Earnings per share before exceptional items rose 6.7 per cent to 14.3p while the dividend was increased by 12.5 per cent to 4.5p.

"Mirror Group profits have achieved an all-time high, despite predatory price competi-

tion and substantially increased newspaper costs," Mr Montgomery said.

The group's flagship Mirror newspaper is Britain's second-top selling tabloid, behind Mr Murdoch's Sun.

Losses from the fledgling Live TV cable channel fell by almost 17 per cent to around £8m. Mirror Group plans to increase the number of city TV stations to seven by launching in Manchester, Glasgow and Newcastle later this year. Live TV is expected to break even in a couple of years.

Mr Montgomery said Mirror Group had no plans to sell its 46 per cent stake in Newspaper Publishing, the company which produces the Independent and Independent on Sunday titles.

Newspaper Publishing reduced its operating losses by 43 per cent to less than £6m, taking into account a management contract with Newspaper Publishing. Mirror Group said its investment was breaking even.

Mirror Group made an exceptional gain of £19.4m in 1996 from the resolution of several property-related issues and the sale of STV's stake in fellow regional broadcaster HTV.

An exceptional tax credit of £9.1m was included in the 1996 accounts after a settlement was reached with the Inland Revenue on corporation tax payable for 1991-1994.

"The group is in a good financial position to make prudent investments for the future," Mr Montgomery said.

Shares in Mirror Group closed 7p lower at 209.5p.

N Brown in talks for Freemans

Nigel Cope
City Correspondent

Shares in N Brown, the mail order group, were suspended yesterday after the company confirmed it was in discussions to buy the Freemans home shopping business from Sears.

The announcement follows last week's decision by Littlewoods to pull out of the Freemans deal when it was told Sears was in discussions with other parties. N Brown is in exclusive talks with Sears and the price is expected to be similar to Littlewoods' £395m offer. Littlewoods said it would still be

interested in Freemans if the N Brown deal collapses.

N Brown would need a sizeable rights issue to fund the deal as it already has gearing of 23 per cent. The company is likely to fund it with a mixture of debt and equity. A rights issue would involve the dilution of the 58 per cent stake in N Brown controlled by the chairman, Sir David Alliman, and his family. The shares were suspended at 377.5p, down 4p.

City analysts said that though the Freemans deal may be difficult, N Brown's good track record should ensure shareholder support. "It is a highly

rated stock and the market is likely to be sanguine. Both sets of shareholders would probably be supportive," said Sean Edle of NatWest Securities.

N Brown said the acquisitions of Freemans would provide it with the opportunity to use its direct marketing skills to increase the combined group's sales. Some job cuts are likely.

N Brown's customers are largely over 50 while those of Freemans are typically in their mid-30s. N Brown's direct-selling approach to mail order could also be applied to the agency business of Freemans.

N Brown controls 4 per cent

of the UK mail order market compared to Freemans' 9 per cent. The deal would catapult N Brown to third place in the mail order market behind Great Universal Stores and Littlewoods.

Sears is under pressure to secure a quick sale as the chief executive, Liam Strong, has promised to return £410m to shareholders. With profits at Freemans falling and morale low, Mr Strong would like to close the deal before Sears' annual results on 24 April.

N Brown made profits of £31m last year on sales of £230m. Freemans made £38m on sales of £531m.

Wall St unsettled as retail figures soar

Diane Coyle
Economics Editor

American shoppers set a cracking pace for retail sales in the first two months of 1997. Stronger-than-expected figures yesterday sent shares on Wall Street and treasury bonds lower because of fears that US interest rates will rise this month.

The Dow Jones index fell below the 7,000 barrier by mid-morning, with shares down more than 61 points at 6,978.18. Retail sales rose by 0.8 per cent last month, while January's increase was revised to 1.5 per cent, more than twice the first estimate. "If we continue like this from February, we will see the best sustained retail spending in about 10 years," said Jonathan Basile, an analyst at HSBC Markets in New York.

Separate figures showed a decline in new unemployment claims last week, with a drop of

5,000 taking the average for the past four weeks to its lowest since 1989.

As always, analysts hold mixed views about whether or not the Federal Reserve will raise interest rates at the next meeting of its Open Markets Committee on 25 March. But the balance of evidence has tipped towards expecting a quarter-point increase.

Yesterday's retail sales figures followed recent evidence last week that the American economy is creating jobs at an extraordinary pace. The non-farm payrolls total jumped by 339,000 in February.

The Federal Reserve's "Beige Book", the regional survey of the economy which provides the basis for Fed interest rate decisions, contained evidence on Wednesday of future inflation pressures. Most regions reported that businesses found it difficult to recruit new staff.

Burger chief goes in GrandMet shake-up

Nigel Cope

Grand Metropolitan, the food and drinks group, yesterday underlined its commitment to its Burger King fast food chain with a boardroom shake-up that will cost shareholders significant sums in compensation.

Bob Lowes, the Burger King chief executive, is to leave the group after just over two years in control.

He will be replaced by Dennis Malamatinas, a 41-year-old marketing man with a background at Procter & Gamble and Smirnoff vodka. He is currently executive director at GrandMet's IDV drinks subsidiary in the Asia-Pacific region.

There has been persistent speculation that Burger King would be sold but GrandMet said yesterday that the reshuffle reflected the "increas-

ing importance" of the fast food chain to the group's strategy.

As Bob Lowes was not on the board his remuneration was not disclosed. However, his compensation for loss of office is likely to be several hundred thousand pounds.

Also departing is GrandMet's group strategy development director, Peter Cawdron. He received total pay of £435,000 last year including bonuses.

He was on a two-year contract and his pay-off is the subject of negotiation.

GrandMet said that it no longer required a group strategy development director as the company had completed its major acquisition and disposal programme.

However, it yesterday named Jim Glover as group strategy director, though this is not a main board post.

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business

Enterprise Oil rules out large acquisition

Michael Harrison

Enterprise Oil yesterday scotched speculation that it is about to embark on a big acquisition as it reported a 40 per cent jump in post-tax profits for last year and an increased dividend.

Investors were relieved that the exploration group ruled out an imminent strike and marked the shares up 18.5p to 652p. Weekend press reports had suggested Enterprise was eyeing up a bid for Monument Oil and Gas, armed with a £1bn war chest. British Borneo was also mentioned as a possible takeover target.

But Pierre Jungels, who took over as chief executive at the start of the year, quashed the reports, saying: "We are looking forward to strong internal growth with the asset base and the people we have. We are under no pressure to do anything and we have nothing specific in mind."

To underline the point, he said that Enterprise expected to increase production to 320,000 barrels a day in 1999 compared with total group production last year of just under 243,000 barrels a day.

Enterprise launched an unsuccessful £1.6bn bid for fellow exploration group Lasso three years ago and since then it has concentrated on building up its own exploration base. This year it expects to invest a further £500m in appraisal drilling and oilfield development which is more than the group's expected cash flow based on an oil price of £12 a barrel.

In particular, Enterprise has high hopes for developments in Norway and Italy, where it has several fields under appraisal in the Southern Adriatic region.

The advance in after-tax profits was driven on by a continu-

ing reduction in operating costs and a strengthening in oil prices to £13.17 a barrel compared with £10.72 in 1995. The dividend increase to 17p for the year, up by 1p, helped lift the shares even though the post-tax figure was towards the bottom end of forecasts.

Few analysts expect to make any radical move on profits forecasts on the back of the 1996 results, although news of a reserve replacement ratio of 193 per cent and the production targets provided a fillip to sentiment. "There is no doubt Enterprise is on a roll, with a good record of exploration and drilling success and a very positive news flow over the past year," one analyst said.

Another said he would raise his net asset valuation for Enterprise Oil from 549p to around 553p, largely on the back of the company's reduced net debt position. Further upgrades to this figure may be possible on the back of positive news on the Clair field, which BP highlighted yesterday, and its Norwegian interests.

On a more cautious note, Jon Wright, oils analyst at Merrill Lynch, said that while he was impressed by Enterprise's reserve replacement figures in 1996, he felt too much reliance was being placed on its Italian reserves. "About half of the increase in reserves in 1996 [of around 160 million barrels] was due to Italy," he said.

He also expressed concern about Enterprise's rising tax charge - which climbed from £99.6m to £212.9m largely due to the high levels of Norwegian tax - and the difficulties it may face in a low-price oil environment.

"We are still cautious on the outlook for Enterprise and will probably maintain our reduce stance on the stock," he said.

Profits jump at Christies despite lean year for big sales



Christie's International, the auctioneer and art specialist, expects to start selling several big single-owner collections after a lean year for large sales in 1996. Lord Hindlip, the company's chairman, who yesterday announced a 57 per cent surge to £33.9m in taxable profits and a 70 per cent boost to 4.75p in the dividend

payoff for last year, said the outlook for first-half sales was encouraging. "Several collections have already been consigned for sale, including a collection of Impressionist pictures from the John Langlois collection and Frances Langlois collection [including Paul Cézanne's 'Madame Cézanne au Fauteuil Jaune', above], and Old Master, 19th century and Modern works from the collection of the late Lord and Rudolf Heilmann."

The profit jump in 1996 was achieved

despite auction sales growth of only 9 per cent to £1.016bn.

Lord Hindlip, commenting on the 1996 figures, said: "The final result is especially pleasing because there were fewer single-owner collections available for sale in comparison with previous years."

Within the sales rise was a 31 per cent increase from Asia-Pacific to a record £100m (£63m). Auction revenues grew faster than sales, up by 12.5 per cent, helped by a new commission structure introduced in late 1995.

Auction costs rose by 6.4 per cent, and the company said this should be kept in check by more efficient catalogue production processes. The company said it was pressing on with plans to start up as one of the first foreign-owned auction houses in France once new legislation and regulations had been completed.

THE INVESTMENT COLUMN

EDITED BY TOM STEVENSON

UB keeps hacking away but offers few crumbs of comfort

United Biscuits is doing most of the right things - hacking away at unprofitable divisions and directing investment at a handful of genuinely strong brands - but the cost of sorting itself out after the past five years' disastrous run was painfully evident in yesterday's full-year figures.

Eric Nicoli, chief executive, dismissed much of an \$84.7m goodwill write-off as nothing more than a goodwill accounting effect, but like the £150.3m charge that devastated 1995's figures, the exceptional charge represents real money the company has squandered on shareholders' behalf. A glance at the chart shows the effect of those write-offs over the years on UB's net asset value. The latest hit left pre-tax profits for the year at £24.4m, a dismal return on sales of almost £2bn.

Earnings per share of 3.2p were quite an improvement on last year's 23.9p loss, but they left the 10p dividend, up 3 per cent, uncovered. Even before exceptional items, earnings of 14.8p were barely higher than the payout to shareholders.

The success of UB's drive to weed out non-performers and fix them or sell them on was shown by an increase in the proportion of group sales from 70 to 80 per cent that now provides an acceptable return of more than 20 per cent on capital employed. A year ago more than a quarter of sales were in Mr Nicoli's intensive care ward, but recovery at KP, Phileas Fogg and others reduced the problem areas significantly.

With an average return on capital at those businesses that remain in the sick ward - mainly UK crisps, Benelux snacks and France - of 4 per cent, however, they represent quite a drag compared with UB's cost of capital of around 12 per cent.

The UK is definitely on the mend, posting a healthy 12 per cent rise in biscuit and snack profits during the year, a 24 per cent return on capital in frozen and chilled products and strong growth in core brands such as Skips.

The problems in continental Europe and Australia, where PepsiCo is throwing its weight about, remain daunting, however. The return in Europe is half UB would hope for while a 35 per cent fall in operating profits down under

told its own story. There is no sign of a let-up in Australia.

On the basis of forecast profits this year of £120m, the shares, which halved in four years before hitting bottom at new year, trade on a prospective price/earnings ratio of 16 at yesterday's close of 248.5p, up 11p. Against a backdrop of stiff competition, little geographical diversity and slow underlying growth that is quite high enough and only justified by persistent bid rumours. It is hard to see who would be prepared to pay much for UB and the recovery in the shares has probably run its course.

Slim margins at Coats

Neville Bain, the departing chief executive of Coats Vyalis, could be forgiven for saying enough is enough. The first half of his six-and-a-half year tenure at the UK's biggest textile group saw a near-tripling of the share price as he sorted out the sprawling empire put together by Sir David Alliance, who remains chairman. But reality caught up with the group at the beginning of 1994 and the shares have since underperformed the rest of the market by nearly 60 per cent.

Yesterday's figures for the 12 months to December were as dismal as ever. Headline pre-tax profits knocked from £163m to £94.4m were hammered by the wide-ranging plans an-

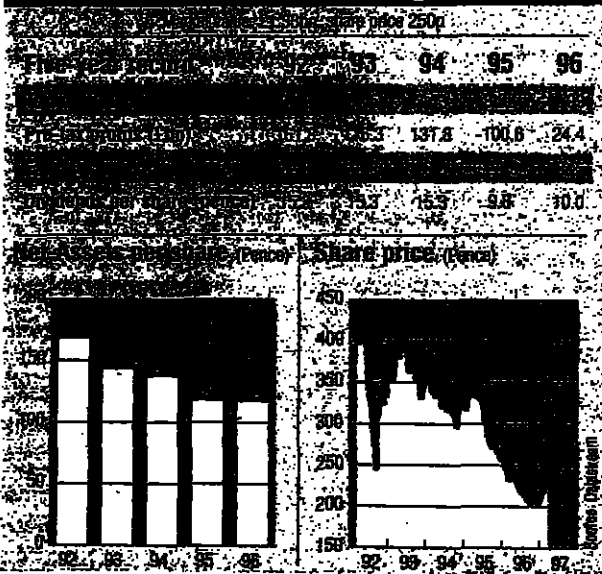
nounced a year ago to accelerate the transfer of production overseas. The figures were well telegraphed, but even stripping out reorganisation charges from £10.3m to £54.9m, the underlying 7 per cent fall in operating profits to £174m was disappointing. The decision to hold the final 5.1p dividend, leaving an uncovered 8.8p for the year, and hopes for new chief executive Michael Ost helped propel the shares up 6p to 136.5p yesterday, but the former McKeechie chief executive has a steep hill to climb.

Brazil and Turkey, which proved problem children in the early 1990s, have returned to their bad old ways. They accounted for £8m of the £10.5m decline in profits to £90.3m. Elsewhere, the Dynast precision engineering operation saw profits dip for the first time for more than five years, falling from £40.1m to £37.6m.

But the real disappointment came on the clothing side. Provisions in the Russian operations of the Berghaus brand made up all the fall from £21.8m to £19.1m in divisional profits. More worrying though was the modest improvement in profits from UK contract clothing, which accounts for most of Coats' £315m sales to Marks & Spencer, where margins are thought to be under 2 per cent.

Profits of £150m this year would put the shares on a forward multiple of 10. Even so, only the 8.1 per cent yield provides much support.

United Biscuits: At a glance



Cordiant rewards shareholders

Investors who subscribed to Cordiant's deeply discounted £127m rescue rights issue in 1995 are sitting pretty. It took a leap of faith to shell out 60p a share to back the marketing services group when it was starting into the abyss after founders Charles and Maurice Saatchi left in a huff and took large clients such as British Airways with them.

But Cordiant, under the chief executive, Bob Seelert, is right to say it is delivering on the undertakings given at the time of the rights issue. Most of the accounts lost to the Saatchi brothers have been replaced, costs controlled and margins raised.

The result was a £41.8m pre-

tax profit in 1996, versus a £22.6m loss a year earlier, and a return to the dividend list for the first time in seven years.

Better still, the balance sheet, which had a deficit of £356m on shareholders' funds in 1995, has been sorted out. Average net debt fell from £125m to £15m while interest cover is a comfortable 6.6 times.

True, Cordiant still has a long way to go to achieve its target of 10 per cent operating margins by the end of 1998. These currently stand at 6.4 per cent, compared with the double-digit margins chalked up by rivals such as Martin Sorrell's WPP.

Given a fair wind, though,

Mr Seelert should deliver on this promise as well. There is every reason to suppose revenue growth will at least match the industry average of 6 per cent. Assuming a stable exchange rate, profits and earnings in 1998 should double if the margin targets are met.

That would imply a prospective price/earnings ratio of just 10 with the shares at 113.5p, up 9.5p.

That looks good value, especially as Cordiant could always enhance shareholder value by spinning off Siegel & Gale, its US design and corporate identity arm, or even demerge the Saatchi & Saatchi advertising agency it still owns.

Legal & General turns bearish

Magnus Grimond

Legal & General, the insurance group which owns around 2 per cent of all UK shares, is hedging its portfolio against a fall in the stock market. David Prosser, chief executive, said the group had gone cautious on the market after it hit its year-end target. The group was using index options to reduce the risk, he said, but it could start selling shares after the election.

"I think the thing that would make us sell, post-election, is the potential for interest rate rises, whoever wins the election. The economy is growing at quite a fast rate at this stage of the cycle," he said. He would expect any new government to attempt to slow economic growth by raising the cost of money.

That could hit L&G's successful index-tracking fund operation. The group revealed yesterday that it nearly doubled the amount of new UK funds under management to £4.25bn last year, helping raise worldwide assets by a fifth to £48.1bn by the end of 1996. Mr Prosser attributed the growth to the success of the group's "safe and cost-effective" indexed fund, which he claimed was now the largest such pooled vehicle on the market.

He was speaking as the group announced a 15 per cent rise in operating profits to £291m. The dividend rises 14 per cent to 11.13p, after a final of 7.63p.

The main life and pensions business saw premium income soar 54 per cent to £301m, including a quadrupling of new single-premium pensions business, leaving profits 14 per cent ahead at £207m. Mr Prosser ruled out acquisitions to grow the business, but welcomed the initiative by Peter Lilley, the Social Services Secretary, in effect to privatise state pension provision.

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Reckitt dampens bid speculation

Tom Stevenson
City Editor

Reckitt & Colman poured cold water on recent speculation that the household products group might be the subject of a bid from Unilever and warned that the strength of sterling might hit 1997 profits to the tune of £20m. The two comments were enough to knock 2p off the share price to 797p despite an 11 per cent rise in underlying pre-tax profits in the year to January.

Vernon Sanky, chief executive, cheered shareholders, however, with a £45m annual saving from the integration of recent US purchase L&F, compared with initial hopes for £40m of cost cuts. The 1994 deal brought Reckitt one of America's leading household products portfolios including the Lysol disinfectant brand. Since the acquisition five of 12 factories have been closed.

The success of the L&F cost-cutting program offset disappointing underlying sales

growth which saw turnover rise by only 1.8 per cent to £2.29bn. Operating profits were 9 per cent higher at £372.7m, although the inclusion of a one-off disposal profit in 1995 saw pre-tax profits fall from £417.6m to £334.8m.

Mr Sanky said of the persistent Unilever bid speculation: "We get rumours all the time and this is another rumour." Reckitt's shares have risen 11 per cent so far this year, mainly on the back of gossip that the Anglo-Dutch consumer goods giant was running its side rule over the Dettol, Lemsip and Harpic group.

He also dismissed concerns over Reckitt's relatively pedestrian growth rate, pointing out that 5 per cent underlying growth, excluding currency factors, was a lot better than the company had experienced for many years.

He expected growth to accelerate this year even without acquisitions.

The stronger pound cut profits last year by £3m.

Woodchester in the frame for takeover

Crédit Lyonnais, the troubled French bank that has been kept afloat by government subsidies, yesterday hoisted the "for sale" sign over its 54 per cent stake in Woodchester, the Irish investment company.

Analysts predicted the shares could fetch up to 300p each, which compares with yesterday's closing price of 277.5p, up 5p, and which would realise slightly more than Ir£350m for Crédit Lyonnais.

"Given the level of Crédit Lyonnais' shareholding, any such disposal will lead to a full bid for Woodchester," a spokesman for the bank said. Woodchester and Crédit Lyonnais have appointed joint advisers Chase Investment Bank and Goldman Sachs International to seek buyers for the shares.

A full bid for the company would yield a fortune of almost Ir£59m for Craig McKinney, the chairman who owns almost 9 per cent of Woodchester.

The speculation in the City is that Woodchester could attract takeover bids from Lombard & Ulster, the leasing subsidiary of

National Westminster Bank, the GE Capital leasing company in the US, and Chartered Trust, which is owned by Standard Chartered.

However, a company insider said: "We expect to be inundated with interest. We have a huge motor leasing operation, insurance broker and a bank. We're operational in Ireland, Northern Ireland, the UK, Portugal and Denmark."

Mr McKinney said yesterday that all the company's activities achieved considerable growth in 1996. "This has continued into 1997, with new business for the first two months up by over 30 per cent on the corresponding period last year," he said.

Mr McKinney said the establishment of a centralised back office in Dublin would improve efficiency.

The results for 1996, announced yesterday, showed that group pre-tax profits climbed from Ir£36.4m to Ir£44.3m. Earnings per share grew from 13p to 15.46p, and the total dividend was raised from 6.83p to 7.83p.

IN BRIEF

• The City Disputes Panel will act as the final court of appeal in the three-way bid battle for Scottish Amicable. The life and pensions group also announced that Abbey National, Prudential, and AMP of Australia have been asked to submit final, binding proposals for the group by 6pm today. ScotAm will choose a suitor on the basis of policyholder value.

• Further management changes were announced by Toad, the loss-making producer of car security systems that recently shocked investors with news that Charles Parker had resigned as chief executive and simultaneously issued a warning about falling revenues. The latest changes involve Kevin Turnbull, managing director of main operating subsidiary, Road Innovations, and Iain Brown, international director of Road Innovations, resigning from the board and leaving the group with immediate effect.

• John Taylor, Minister for Corporate and Consumer Affairs, has decided, on the advice of the director-general of Fair Trading, to refer the acquisition by Carlton Communications of Metrocolor London, currently owned by Time Warner Entertainment, to the Monopolies and Mergers Commission. The commission is required to make its report by 25 June. Separately, Time Warner said it had abandoned plans to list on the London Stock Exchange.

• General Cable announced an increase in full-year pre-tax losses from £21.7m to £29.81m, but said that net churn of customers continued to improve, falling from 28 to 21 per cent in cable television and remaining flat at 17 per cent in residential telephony. The company also announced the acquisition of Imminis, the largest independent managed data network services provider in the UK, for a total consideration of up to £33m. In 1996, Imminis made pre-tax profits of £2.75m on turnover of £15.38m.

• BAA said its seven airports handled a total of 6.5 million passengers in February, an increase of 4.8 per cent on the same month last year. The company said that Eire traffic recorded the strongest growth, up 17 per cent, adding that other long-haul routes increased by 9.1 per cent and North Atlantic routes by 8.3 per cent.

• Profits at Graham Group, the building products group, tumbled from £19.3m to £10.66m in 1996. However, the company said: "As we enter 1997, our markets have emerged positively from the steep decline in 1996 and we expect these early trends to lead to sustained growth." It added that the upturn in the housing market came too late to have "any significant impact on trading in 1996".

Company Results				
	Turnover £	Pre-tax £	EPS	Dividend
Beecham (F)	- (-)	1.20m (+0.76m)	3.20p (+18.7p)	all (-)
British Nuclear (F)	44.2m (+48.1m)	0.87m (+2.30m)	4.42p (+1.54p)	5.5p (8p)
Cape (F)	243m (+244m)	-13.2m (+11.5m)	-24.7p (+14p)	9p (11p)
Christies Intl (F)	227m (+192m)	33.9m (+21.5m)	12.77p (+8.63p)	4.75p (2.8p)
Comau Vialis (F)	2.45bn (+2.34bn)	94.4m (+163m)	8p (+15.7p)	8.8p (6.8p)
Carters (F)	67.2m (+70.5m)	10.1m (+9.4m)	14.4p (+15.5p)	6.5p (+)
Castle Consulting (F)	38.3m (+33.7m)	3.04m (+2.30m)	2.76p (+2.52p)	2.5p (2p)
Davis Service Grp (F)	544m (+424m)	32.0m (+24.1m)	18.52p (+14.42p)	10.25p (8.35p)
Fiscal Properties (F)	7.08m (+6.14m)	1.23m (+1.65m)	3p (+3.2p)	all (-)
General Cable (F)	55.7m (+30.7m)	-29.8m (+21.2m)	-9.8p (+4.1p)	all (-)
HMV (F)	21.4m (+13.8m)	-7.0m (+4.0m)	-7.82p (+4.42p)	all (-)
Imminis (F)	29.3m (+27.4m)	1.21m (+1.05m)	10.4p (+9.7p)	3.75p (3.5p)
Imminis (F)	524m (+489m)	10.7m (+9.3m)	5p (+10.2p)	5.7p (+)
Imminis (F)	113m (+117m)	2.93m (+1.25m)	9p (+3.4p)	1p (7p)
Lombard & Ulster (F)	92.7m (+89.2m)	2.2m (+1.6m)	11p (+9.8p)	7.5p (7.1p)
Lysol & General (F)	- (-)	291m (+250m)	16.57p (+14.89p)	11.13p
M&M (F)	21.4m (+13.8m)	-7.0m (+4.0m)	-7.82p (+4.42p)	all (-)
Mirco Group (F)	538m (+501m)	102m (+107m)	19.8p (+19.8p)	4.5p (4p)
Medias (F)	399m (+288m)	33.4m (+28.8m)	72.8p (+65.4p)	22p (20p)
Perry Group (F)	455m (+414m)	8.27m (+6.54m)	21.1p (+16.8p)	9p (8p)
Phileas Fogg (F)	50.6m (+46.6m)	8.907m (+11.94m)	11p (+16.3p)	8.8p (7.8p)
Pillards (F)	109m (+110m)	3.63m (+0.62m)	13.3p (+4p)	3.25p (1.5p)
Reckitt & Colman (F)	2.35bn (+2.29bn)	339m (+183m)	57.7p (+76.8p)	21.87p (20.15p)
Siebel (F)	27.9m (+28.4m)	2.95m (+3.50m)	3.16p (+3.45p)	1.79p (1.79p)
United Biscuits (F)	1.99bn (+2.02bn)	24.4m (+10.1m)	3.2p (+2.9p)	10p (8.8p)
(F) - Fiscal (F) - Income				

'Internet on TV' agreement helps Maid turn the corner

A bullish prediction by Dan Wagner, chief executive of Maid, that the on-line business information provider would make "considerable profits" this year put some pep into the company's share price, which has been in free fall since Christmas.

Mr Wagner, who yesterday announced that Maid's losses deepened from £4m to £7m in 1996, claimed the final three months of 1996 marked a "turning point" for the company. "Costs will remain roughly static in 1997 following the trend seen in the fourth quarter, while sales growth will remain strong," he said. "The trends are clear, they will continue, and we are set for considerable profits in 1997."

The share price, which started the new year north of 300p, rapidly gained 15p to 187.5p after the company's results and accompanying trading statement were released.

Michael Mander, chairman, said: "The first two months of 1997 have started off with

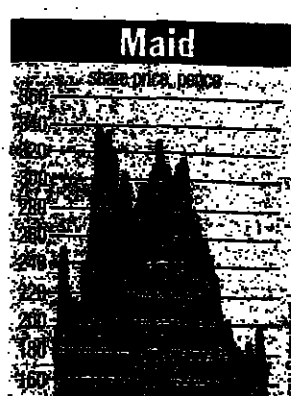


Dan Wagner: Expects to make 'considerable profits'

record usage levels and buoyant subscriber revenues, together with the conclusion of new alliances."

This year's results will benefit from last month's agreement with 4th Network of the US that guarantees Maid \$3m (£3m) in 1997.

The company will transfer its "Internet on TV" technology to 4th Network, and become its



Maid received \$7.5m worth of shares in 4th Network, a provider of Internet access to hotels.

It will also receive 10 per cent of 4th Network's Internet access revenue for 30 years, and in 1998 and 1999, Maid will bank guaranteed royalties of \$6m and \$7m respectively, subject to performance criteria which have yet to be specified.

market report / shares

Ladbroke tipped to try its luck with Capital Corp

Data Bank

FTSE 100	4397.7	24.8
FTSE 250	4720.2	4.9
FTSE 350	2175.2	10.0
SEAO VOLUME	865.4m	
55.017 bargains		
Gains Index	95.20	0.30

Share spotlight

Company	Price	Change
Ladbroke	1.12	+0.02
Capital Corp	1.12	+0.02

Although the Gold Cup was undoubtedly the main event for many in the stock market there is a suspicion one of the major Cheltenham players is about to place a big bet on the spin of London's roulette wheels.

Ladbroke, the betting and hotel group, edged ahead 4p to 242.5p in busy trading as the rumour strengthened it was preparing to intervene in the £180m takeover battle for Capital Corporation, the Crookford's casino business.

The bookies have admitted they are keeping an eye on Capital since London Clubs International bargained in with its hostile bid.

The casino tussle has occurred as Ladbroke is pulling in the cash from winding down its property division and is in a comfortable position to mount a counter-strike.

It already owns four London casinos and has made no secret



MARKET REPORT
DEREK PAIN
stock market reporter of the year

Yorkshire stake and is the biggest holder of the warrants with 34.3 per cent. The warrants, with a 200p exercise price, are running out of time and if United switched it would lift its stake to around 18 per cent.

There is talk United, off 3.5p at 740.5p, intends to accompany today's figures - around £280m is expected - with a strike at Yorkshire and HTV where it has 29.9 per cent.

Enterprise Oil was the best-performing blue chip, up 18.5p to 452p, following results. Ladbroke was also caught in the action, gaining 4.5p to 241p.

The failure of any Enterprise bid to appear took the shine off

above their 12-month low, as a buy.

The securities house, however, put a sell sign over Iceland, the frozen food retailer which is indulging in a share buy-back. The shares melted 4.5p to 95p.

De la Rue, the security printer, fell 24p to 592.5p as stockbroker Cazenove was said to have made cautious noises.

Centrica, the gas supply half of the old British Gas, was the day's most heavily traded share with the price shading 1.5p to 61p.

A cautious trading statement from Motin, the tobacco machinery group, lowered the shares 70p to 830p and Rentel initial continued to suffer from disappointment over its results, falling a further 12.5p to 403p.

Argo Wiggins Appleton edged ahead 1.5p to 195.5p. BZW thinks the depressed paper sector is due for an up-

Taking Stock

Shares of Motion Media, developing a video-telephone system, were suspended on the fringe OTC market as £450,000 was raised through a placing at 105p. Frozen at 190p, the shares have hit 310p on talk of deals with BT and Continental groups. The company says it is talking with "a number of prospective major customers" and its video-phone is being exhibited at a German electronics show. MM arrived last year at 67.5p. Dealings are expected to resume today.

Stordata Solutions, which has had a dismal time, held at 12.75p. The car security and computer systems company produced disappointing profits of £1.5m last year but market hopes are high it is set for more than £2.2m which puts the shares on a prospective rating of only 10.2.

Company	Price	Change
Alcoholic Beverages		
Bank		
Bank, Retail		
Breweries, Pubs & Rest		
Building/Construction		
Building Materials		
Chemicals		
Distribution		
Electronics		
Engineering Vehicles		
Extractive Industries		
Food		
Health Care		
Household Goods		
Insurance		
Leisure & Hotels		
Life Assurance		
Media		
Metals		
Motor		
Oil		
Oil, Integrated		
Other Financial		
Pharmaceuticals		
Printing & Paper		
Property		
Retailers, Food		
Retailers, General		
Services		
Support Services		
Tobacco		
Transport		
Water		
Telecommunications		
Textiles & Apparel		

Company	Price	Change
Investment Companies		
Investment Trusts		
Government Securities		
Index-linked		
Shorts		
Longs		

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Company	Price	Change
Share Price Data		
FTSE 100 Index		
Market leaders: Top 20 volumes		
FTSE 100 Index hour by hour		

Company	Price	Change
Telecommunications		
Textiles & Apparel		
Tobacco		
Transport		
Water		
Support Services		
Recent Issues		

Smart Remark. 23-1 Range. 10-1 Cox Coll. Pure Swing. 12-1 Silver Sarcos. 14-1 Rung Of Swing. 15-1 Legless Legacy. 20-1 others

